Greece ..... Dr 70	Netherlands . Fl 2.50	Turkey .... L 210
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Philippines . Pes. 20	U.S.A. $1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Wishful thinking on U.S. defence priorities, Page 12

World news | Business summary

Mandela rejects freedom offer

Black South African nationalist Nelson Mandela in jail for over 20 years, rejected President Pieter Botha's conditional offer of freedom.

The terms were that he should reject violence as a means of achieving political ends. In a statement read for him in Soweto, Mandela said he would not accept release while the African National Congress was banned.

While Mandela and other ANC leaders who are jailed with him in Pollsmore prison outside Cape Town have turned down conditional freedom offers, two unnamed political prisoners held on Robben Island have accepted unconditional offers. Page 2

Party choice

Portuguese Minister of Justice Rui Machete was chosen as the new president of the Social Democrat Party, junior partner in the country's centre-left-coalition Government. Page 2

Pacific protest

Thousands of people defied New Caledonia's official curfew and crowded the streets to protest against independence plans for France's troubled South Pacific territory.

Swiss suspects

Swiss police arrested two West Germans in connection with the abduction last month of Sven-Axel Springer, grandson of German publisher Axel Springer. They are former pupils of his Swiss school.

Hassan cut

Spain's state-controlled television cut an interview with King Hassan of Morocco after a preview, including remarks on his country's sovereignty claims over the Spanish enclaves of Ceuta and Melilla, provoked a nationalist outcry.

Walesa appeal

Lech Walesa, the Polish dissident leader, applead for a national accord in the aftermath of the trial of the murderers of Father Jerzy Popieluszko, the pro-Solidarity priest.

Sri Lanka 'pact'

The possibility of a closer and more co-operative relationship developing between India and Sri Lanka emerged after a meeting in New Delhi between Indian Prime Minister Rajiv Gandhi and Lalith Athulathmuladi, National Security Minister of Sri Lanka. Page 2

Lebanon bombing

A car bomb exploded outside a Moslem militia headquarters in Tripoli, Lebanon, killing seven people and wounding about 25.

Drought aid probe

The Ethiopian Government is investigating why substantial amounts of cash raised in Europe and North America for drought relief are not reaching the country.

Warning to Labour

British Labour Party deputy leader Roy Hattersley said the party must reject extreme left-wing calls to challenge the Conservative Government by defying the law or industrial disruption. Page 5

UK pensions move

The UK's state earnings-related pensions scheme will be abolished if the Cabinet accepts the recommendations of Social Services Secretary Norman Fowler to radically reform Britain's social security arrangements. Page 5

Tokyo-Europe service

Japan Air Lines is to launch the first non-stop Tokyo-Europe service in April 1986. Cutting out the Moscow stop will trim about 2½ hours off the 14-hour flight.

Eastern Air Lines close to debt deal

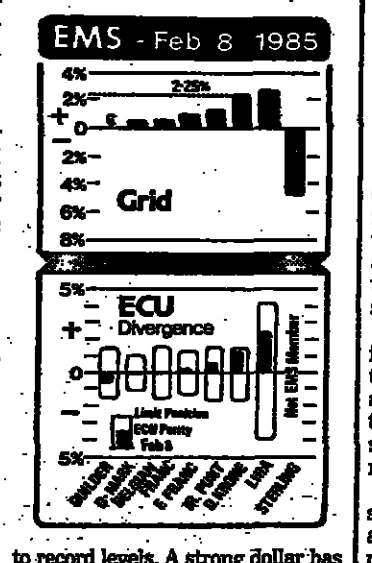
EASTERN AIR LINES of the U.S. is close to resolution of its immediate debt problems and the battle with its trade unions over proposed pay cuts. Page 17

LATIN AMERICAN debtors signalled a new mood of pragmatism in their efforts to persuade the industrialised countries and the international financial community to consider ways of dealing with the region's $350bn foreign debt. Page 2

BOLIVIAN peso was devalued from 9,000 to 45,000 to the U.S. dollar. Page 2

BRAZILIAN Government is attempting to dispose of the assets of the Sul Brasiliero financial group, which it rescued from the brink of collapse last week, among a group of eight leading banks. Page 17

EUROPEAN Monetary System: The Dutch guilder continued to lose ground last week as the dollar rose



to record levels. A strong dollar has always allowed weaker EMS currencies to benefit against their stronger partners. The traditionally strong guilder remained the bottom-placed currency within the system, followed by the other strong currency, the D-Mark. Both suffered because of the dollar's rise, which came despite sporadic central bank intervention throughout the week. The Bank of France may also have bought D-Marks as the latter fell against the French franc. The lira remained in top position, unaffected by recent suggestions that it should be devalued. Page 28

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

INTERNATIONAL Monetary Fund officials are in Warsaw to discuss Poland's admission to the organisation, possible by mid-1985.

MALAYSIAN authorities have given Multi-Purpose Holdings, a Chinese investment group, permission to build a 1bn ringgit ($400m) commercial complex in Kuala Lumpur after 10 years of negotiation. Page 17

EUROPEAN COMMUNITY and the six Central American republics are expected to sign a comprehensive political, economic and financial agreement by the summer. Page 2

AEROSPATIALE, the French state-owned aircraft and aerospace company, has won a contract worth $100m from the Brazilian air force to supply 15 Super Puma helicopters. Page 3

CHICAGO court has ruled in favour of Soo Line's $571m offer for the bankrupt Milwaukee, St Paul & Pacific Railroad against a rival $786m bid from Chicago & North Western which it said would have hampered competition.

GENERAL MOTORS, the U.S. car manufacturer, has named William Hoglund, former chief of its operating staffs group, to head the Saturn small car project after the death of Joseph Sanchez. Page 17

Honda sets sights on full car production in Britain

BY PETER RIDDELL AND JOHN GRIFFITHS IN LONDON

HONDA has told Britain's Department of Trade and Industry (DTI) that it intends to build an engine manufacturing plant on a 330-acre site at Swindon, in southern England, which will be followed by full car production.

The "greenfield" site has already been acquired, following negotiations with the local Government authority last year, and Mr Tadshi Kume, Honda's president, is expected to perform a "ground-breaking" ceremony next month.

Executives of Honda's wholly-owned importing subsidiary in the UK have consistently maintained that the company was seeking a much smaller, site at Swindon only to install a test and preparation centre for the "XX" und "HX" executive cars developed jointly with Britain's Austin Rover, which is to start building the cars for itself and Honda later this year. Austin Rover is part of BL, the UK state motor concern.

Few details of the manufacturing projects, or their time-scale, are known. Senior officials within the DTI say they regard them as being very long-term, and having no necessary connection with any forthcoming UK Government decisions about the BL corporate plan and Austin Rover's increasingly close collaboration with Honda.

While the DTI is being kept in touch with Honda's planning and has been told of the Swindon proposals, the department is reluctant to discuss the matter further because of commercial confidentiality. It also suggests that there is no immediate reason for government involvement, indicating that Honda has yet to approach the Government for any form of investment aid.

The Government is planning to provide £112m ($123m) in financial assistance to Nissan, the first Japanese car maker to announce a car production project in the UK, provided it progresses from assembly of 24,000 cars a year, starting in 1986, to full manufacturing (including engines) of at least 100,000 cars a year by 1990.

The aid for that project, on a 800-acre site in the high-unemployment area of Washington, in north-east England embraces £35m in selective financial assistance, £45m in regional aid, £40m under further assorted aid schemes.

The engine plant is expected to supply units both for Honda's own use and further joint projects with BL.

Honda, however, sees the Swindon project as separate from although complementary to, its collaboration with BL.

Like Nissan, it sees the UK plant as opening an unrestricted door to Western Europe's 10m units-a-year car market, which rivals in importance that of the U.S.

Virtually all the main EEC markets currently have formal or informal quota restrictions on Japanese car imports, which in Honda's case have kept sales down to slightly over 100,000 units a year.

Honda has already spent nearly $500m in the U.S. on installing car-making capacity as a means of countering protectionist sentiment.

It also plans to install an engine plant at its Maryville, Ohio, factory to come onstream in 1988, and will start reducing cars in Canada in 1987 to round out its plans to become the largest Japanese producer in North America.

The timing for completion of these plans would appear to fit neatly for a move into production in continental Europe at about the same time as Nissan moves to full manufacturing.

While the Nissan project has caused some anxieties among car

Continued on Page 14

Honda's expansion, Page 3

Tension on monetary targets mounts before key Fed policy talks

BY STEWART FLEMING IN WASHINGTON

THE U.S. Federal Reserve Board's monetary policy-making Open Market Committee assembles tomorrow for one of the key sessions on its annual calendar amid signs of emerging tension between the central bank and the Reagan Administration.

Wall Street economists expect the committee to debate the question not only of whether current monetary policy should be changed, but also whether or not to revise the tentative monetary growth targets set last July for 1985.

Already some Administration officials have made it clear they want to see the Fed revise its targets to allow it to be more flexible, and initially, more relaxed in the restraints it puts on the growth of the money supply.

Last week President Reagan himself, in a letter accompanying the annual report of his Council of Economic Advisers, voiced explicit criticism of the central bank's recent monetary policy decisions. In his State of the Union address, the President appeared to be pressing the Fed to support a policy of more rapid economic growth as a way of helping to defuse the threat posed by the $200bn-plus federal budget deficit.

At present the Fed has set a growth target of between 4 and 7 per cent for the narrow M1 measure of the money supply, the monetary aggregate which the Fed feels is the most important for conducting monetary policy.

Last week, however, the Council of Economic Advisers called for a revised monetary target – apparently with full support from the Administration. The council recommended that the Fed, in selecting its M1 growth target for 1985, should instead of using as its starting point the actual average level of the money stock in the fourth quarter of 1984, use the mid point of the target range which was set for the period.

Although at one level a narrow technical argument, the issue has potentially significant implications. It would raise the starting point on which monetary growth is to be calculated by some $5bn because actual monetary growth was slow in the fourth quarter. It would thus create greater flexibility for the Fed in interpreting how tight or easy current monetary policy should be.

The M1 measure of the money supply is growing above its existing target range at present and in the view of some Wall Street economists this is one of several factors which will encourage the Fed not to ease its monetary policy at this week's meeting.

Dr William Griggs, an economist with Griggs and Santow in New York, says evidence that the U.S. economy appears to be recovering from the slowdown in growth in the second half of last year, the fact that the monetary aggregates are growing above target levels, and a reluctance to declare a premature victory over inflation will tend to reinforce the arguments of those Open Market Committee members who do not favour easing monetary policy now.

Dr Griggs, like many Wall Street economists, is not expecting any tightening of Fed policy either, but thinks the central bank will maintain its current monetary stance.

Mr Paul Volcker, the Fed chairman, warned last week about the dangers of excessive monetary growth and argued that the U.S. does not have the option of inflating the problem of the federal budget deficit away. But Mr Preston Martin, vice-chairman of the Fed, called in a speech on Friday in Atlanta for more flexibility in the implementation of monetary policy in order to sustain economic growth.

Mr Martin's view appears to be more in tune with what President Reagan would like to see from the independent central bank. In his weekly radio broadcast on Saturday, Mr Reagan again argued that economic growth is the best solution for the budget deficit.

U.S. banks seek to lift limit on bourse activities

BY PAUL TAYLOR IN NEW YORK AND DAVID LASCELLES IN LONDON

AMERICAN BANKS are pressing the Federal Reserve Board to ease a regulation which limits sharply the amount of securities underwriting that a foreign subsidiary can do anywhere in the world.

They are particularly concerned about the regulation's impact on the links that U.S. banks are forging with London stockbrokers to take advantage of the liberalisation of the UK securities markets. Unless it is lifted, they fear, they will be left at a serious disadvantage when London Stock Exchange membership is opened up some time in the next year or so.

The restrictions, contained in the little-known Regulation K, state that overseas subsidiaries of U.S. banks may only underwrite equity securities up to $2m at a time, or 20 per cent of the capital of an issuer, unless the underwriter is covered by "binding commitments from sub-underwriters or other purchasers."

Bankers maintain that this figure is far too small to allow them to engage in equities underwriting in any meaningful way. The Fed is currently reviewing the regulation and has received lengthy depositions from the banks. It is not clear, however, how or when these restrictions will be modified.

The regulation amplifies the limitations that have long existed on U.S. banks' domestic underwriting abilities by virtue of the 1933 Glass-Steagall Act, which created a strict division between commercial and investment banking.

The New York Clearing House, which represents the interests of the 12 largest banks in the city, is urging the Fed to raise the $2m limit to $25m, and the 20 per cent limit to 50 per cent.

In a report to the Fed it called for "prompt consideration" of its recommendations "because of recent developments in the United Kingdom equity markets."

Links between U.S. banks and UK securities firms

Bank	Broker/ jobber	Ownership envisaged %
Citibank	Vickers da Costa Scrimgeour Kemp Gee	100
Chase Manhattan	Laurie, Milbank Simon & Coates	100
Security Pacific	Hoare Govett Charles Pulley	100
North Carolina National Bank	Panmure Bordon	29.9

Despite these protests, bankers and their lawyers are doubtful that the Fed will respond with more than a token easing of the restriction because of the strength of popular anti-bank feeling in the wake of recent U.S. bank crises.

Because of this, several large U.S. banks are preparing to launch what they expect could be a long court battle to challenge the rules.

"We are exploring a number of avenues to deal with the situation" said Mr Robert Smith, vice-chairman of Security Pacific, the California bank which is aiming to tie up with UK stockbrokers Hoare Govett and jobbers Charles Pulley.

He described Regulation K as "an irritant" rather than a stumbling block which could affect the value of his bank's investment in Hoare Govett.

London Stock Exchange timetable, Page 14; London stock prices, Pages 26, 27

American corporate profits rise 14%

By Terry Dodsworth and Paul Taylor in New York

U.S. CORPORATE after-tax profits rose last year by 14.4 per cent to $145.8bn according to preliminary estimates from the Commerce Department.

The increase, after a 21.6 per cent jump in 1983, was rather less than expected earlier in the year after the extremely strong first-half

Profits fell away in the second half, broadly reflecting the slowdown in the economy and the surprisingly competitive pricing environment.

The month-long labour dispute at General Motors also threw out many calculations, reducing the car group's profits alone by at least $500m, according to some analysts. Earnings were still ahead at $4.5bn against $3.7bn in 1983, however.

Wall Street believes that companies will again find it difficult to push through big price increases this year; thus reversing the trend of the 1970s in which profits at this stage of the economic cycle tended to reflect inflationary pressures.

Even so, analysts are projecting profits increases in 1985 of between 5 per cent and 12 per cent for the year. Salomon Bros, for example, is forecasting a $2 increase in per-share earnings for the company's broadly-based Standard & Poor's 500 index to $19 a share. Moderate wage settlements are expected to help profits considerably, following the exceptionally low increases agreed in unionised contracts last year. According to the Labor Department, average annual increases over the lives of the three-year contracts negotiated last year will amount to 2.6 per cent.

The 1984 results of U.S. corporations threw up some sharp con-

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U.S. corporate results, Page 12

Iran may force trade partners to buy oil

BY KATHY EVANS IN TEHRAN

IRAN HAS launched a campaign to tie its purchases from Western suppliers to the amount of oil they buy. Mr Ali Akbar Velayati, the Iranian Foreign Minister, warned Iran's trade partners that unless they are willing to enter into barter deals, then Iran would be forced to reassess their relations with them.

"We are determined that those countries which will not buy from Iran will not sell to it either," he said at the weekend.

The initiative is believed to have been promoted by the Oil Ministry, which is concerned about the future level of Iran's oil exports." Official sources say that oil exports were less than 1m barrels a day in January, but had edged up slightly this month. Diplomatic sources in Tehran believe they may be as low as 750,000 b/d.

The prospect of this decline continuing is clearly worrying the Iranian Government, which is concerned over the financing of its war effort and maintaining its general budget requirements.

Some nations, such as Japan, are already being restricted on the amount of goods they can sell to Iran. Japan is allowed to export only the equivalent of 50 per cent of its oil purchases from Iran. Now Iran is seeking to apply this formula to other nations as well. West Germany, whose exports to Iran are many times the value of its oil purchases, is apparently bearing the brunt of the pressure.

The Iranians are also determined to end their reputation as the cheapest oil supplier in the Organisation of the Petroleum Exporting Countries. Concern over revenues led Iran to refuse to support the last agreement reached by Opec in Geneva last month which effectively lowered prices.

Yesterday, however, Iran grudgingly accepted the new lower price structure, posting the official Iranian light crude price at $28.05. Heavy crude was put at $27.35 a barrel.

In the past Iranian official oil prices have been largely theoretical, for negotiations have centred on the size of the discount offered in compensation for the additional cost of war risk insurance. Senior officials say the new prices will apply only at Kharg Island, and that the usual compensatory payments will be available to take account of the extra shipping costs.

There has been a growing tendency by customers to lift oil at Sirri Island, a smaller export terminal to the south of Kharg, outside the war zone. Iran is now saying that customers should bear the cost of the shuttle service they are mounting to Sirri from Kharg Island.

Oil traders rejected this suggestion, saying that Kharg Island liftings should carry discounts of $1.30 on light and $1.10 on heavy crude.

Iranian leaders have indicated recently that they want to avoid the trap of discounts becoming a permanent feature of Iranian energy prices. Sirri Island liftings, oil officials point out, do not require additional insurance premiums.

Caterpillar joins EEC complaint

By Ian Rodger in London

CATERPILLAR TRACTOR, the world's largest maker of construction equipment, has belatedly joined 18 other companies in a complaint to the European Commission about the marketing practices of some Japanese competitors.

The move, unprecedented for Caterpillar, is another sign that the U.S. company is becoming more politically aggressive in trying to stem the Japanese assault on its markets.

"We have never joined in an anti-dumping complaint before," the company said. "We simply decided this time there was a legitimate complaint and we should join the other European manufacturers."

The complaint to the European Commission, which was launched last July, alleges that Japanese companies have been dumping hydraulic excavators in European markets. Japanese exports of excavators to the EEC rose from 204 units in 1980 to 906 units in 1983.

Almost all the big European manufacturers of excavators such as J. C. Bamford of Britain, Orenstein & Koppel and Liebherr of West Germany and Poclain of France, supported the original complaint. Caterpillar, however, which manufactures excavators in Belgium and has three other factories in EEC countries, did not join them until last week.

The Caterpillar spokesman de-

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U.S. warns Japan, Page 14

CONTENTS

OVERSEAS NEWS

Mandela rejects conditional freedom

By Jim Jones in Johannesburg

MR NELSON MANDELA, the imprisoned black South African nationalist leader, yesterday firmly rejected a conditional offer of freedom made last week by President Pieter Botha. In his public response, read by his daughter, Ms Zindzi Mandela to a meeting arranged by the United Democratic Front in Soweto, Mr Mandela said he would not accept release while the African National Congress was still banned.

President Botha's offer to end Mr Mandela's 20-year imprisonment was conditional on his rejection of violence as a means of achieving political ends. In response, Mr Mandela called on Mr Botha to renounce violence, to say that he will dismantle apartheid, to unban the ANC, to free everyone imprisoned for opposition to apartheid and to guarantee free political activity to allow the people to decide who would govern them.

Mr Mandela's response to President Botha's offer etches the differences between the country's white and black leaders. In saying that only free men could negotiate and that prisoners could not make contracts, Mr Mandela made clear that even out of prison he felt that he would not be entirely free.

Two unnamed political prisoners held on Robben Island have accepted conditional freedom offers after serving more than 20 years of their life sentences.

Israel attacks Palestinian guerrilla base

By David Lennon in Tel Aviv

ISRAELI WAR planes attacked a Palestinian guerrilla base in eastern Lebanon near the Beirut-Damascus highway yesterday after an Israeli soldier was killed and three others wounded in an ambush in southern Lebanon, earlier in the day.

The army said the air force had hit a building which had been used by the Democratic Front for the Liberation of Palestine to launch attacks on Israeli troops in Lebanon. It was the second air strike against Palestinian bases in Lebanon this year.

There has been a major escalation in the number of attacks on the Israeli forces in Lebanon, since Jerusalem announced it would withdraw its forces from the Sidon area by February 18. Most of the attacks are carried out by the local Shi'ite Moslem population opposed to the Israeli occupation.

Yesterday's ambush was near the port town of Tyre. This area will remain under Israeli control after the first phase of the withdrawal is completed this month.

Another Israeli soldier who was injured in a guerrilla attack in Lebanon last week died of his wounds over the weekend and was buried yesterday.

● A car bomb exploded outside a Moslem militia headquarters in Tripoli yesterday, killing eight people and wounding about 25, Reuter reports from Lebanon.

The bomb went off in front of the headquarters of the Islamic Unification Movement (Tawheed), a powerful Sunni Moslem fundamentalist group which has fought with a pro-Syrian Alawite militia for control of the northern port city.

Cartagena group rethinks approach on debt

BY ROBERT GRAHAM IN SANTO DOMINGO

LATIN AMERICAN debtors have signalled a new mood of pragmatism in their efforts to persuade industrialised countries and the international financial community to consider new ways of dealing with the region's $350bn (£318bn) foreign debt.

Foreign and finance ministers of the 11-nation Cartagena group of Latin America's major debtors were anxious to convey this message after two days of meetings ended here late on Friday.

All rhetoric was dropped at the third ministerial meeting of the Cartagena group and the emphasis was laid instead on seeking practical ways to ease the debt problem. The meeting was better prepared at expert level and for the first time the group will submit proposals in the form of papers to the International Monetary Fund and the World Bank.

These papers will be submitted to the IMF's interim committee and the World Bank's development committee for consideration at their April 17 and 18 meetings in Washington.

The IMF paper will emphasise the need to reduce conditionality in lending and will contain proposals for changes in the general agreement to borrow. The World Bank paper will suggest greater use of co-financing operations with commercial banks to provide fresh development funds and will include proposals for increasing the bank's capital.

Since the U.S. and its main Western allies at the London summit last June opposed any solution to the debt crisis that did not come via close involvement of the IMF this development is a concession, giving greater importance to approaches through the IMF and the World Bank.

Although ministers here feel that the U.S. Administration is still fundamentally opposed to political initiatives, they believe that Washington could become a little more responsive in the light of the restructuring agreements reached with their creditors by Argentina, Mexico and Venezuela (Brazil's agreement is imminent).

These agreements have been concluded bilaterally but the Cartagena group announced in its final communique that it would press for similar terms in restructuring agreements for all the members. The group consists of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, the Dominican Republic, Uruguay and Venezuela.

● Peru has ruled out the possibility of reaching an agreements with the IMF before July because of impending presidential elections. Sr Luis Percovich, the Peruvian Prime Minister, said he did not expect any agreement "in the months which remain for the present government." The first round of presidential elections is due on April 14.

EEC, Central America pact expected by summer

BY HUGH O'SHAUGHNESSY

A COMPREHENSIVE political, economic and financial agreement is expected to be signed between the European Community and the six Central American republics by the summer. It is likely to be followed by a meeting in Europe of the Central Ameican and EEC foreign ministers.

The pact, which has already been approved by M Claude Cheysson, the Community commissioner for external affairs, will be discussed by the Commission at the end of the month and by the Council of Ministers in March.

As foreseen at the conference of European and Central American foreign ministers held in San José in September the document will be signed by the five members of the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) and Panama.

It will cover increased European aid to the region and support for economic integration and peace initiatives.

Yesterday Vice-President Sergio Ramirez of Nicaragua met for more than an hour with Mrs Margaret Thatcher, UK Prime Minister, at Downing Street. He asked British and other European states to try to persuade the Reagan Administration to moderate its hostility to Nicaragua.

Bolivia devalues peso and orders price increases

BY MARY HELEN SPOONER IN SANTIAGO

THE BOLIVIAN peso has been devalued from 9,000 to 45,000 to the U.S. dollar, as President Hernan Siles Zuazo's Government struggles to contain the country's severe economic and political crisis.

Authorities have also ordered increases in the prices of basic necessities and a 340 per cent wage bonus for the Bolivian workforce.

The measures were announced after a nine-hour Cabinet meeting on Saturday and came in the midst of a series of demonstrations and work strategies by labour and peasant groups

Sr Freddie Justianiano, Planning Minister, said the package of measures, the most drastic since the Siles Government took office in late 1982, were aimed at stimulating exports, reducing the fiscal deficit and curbing the country's hyperinflation.

Last year the Bolivian annual inflation rate reached 2,700 per cent, and was expected to reach the five digit level this year unless the authorities took action.

Most foreign exchange transactions in Bolivia take place on the black market. On Friday the dollar was being exchanged for 120,000 pesos.

The Government's measures will raise the prices of basic food prices such as bread, meat, poultry and sugar by up to 400 per cent.

Howe welcomes arms talks

BY PATRICK BLUM IN SOFIA

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday completed the first of a series of visits to East European nations with a warning against overly optimistic expectations of an early breakthrough in the Geneva arms control talks between the U.S. and the Soviet Union.

"The negotiating process will be neither quick nor easy," he said after meetings with Romanian leaders in Bucharest on his way to the Bulgarian capital of Sofia.

Sir Geoffrey said that both Britain and Bulgaria welcomed the resumption of the talks and repeatedly emphasised what he called the Western alliance's commitment to arms control.

He added, however, that it was now up to the Warsaw Pact to give a "constructive and positive response." On his arrival for further talks with leaders here, Sir Geoffrey called for increased trust between East and West. "With trust and dialogue, there are worthwhile opportunities ahead of us," he said.

While Sir Geoffrey's mission is aimed primarily at building bridges on the political front, he also raised with Romania the question of its trade imbalance with Britain.

The Warsaw Pact treaty will be renewed when it expires in May, although for how long it will be renewed is still the subject of discussions, a senior Romanian foreign ministry official revealed at the weekend, Patrick Blum writes.

"The text will be exactly the same as for the existing treaty. What hasn't been decided yet is how long it should be renewed for," he said. It is understood that a 15-year period is now being considered, but developments in the talks between the U.S. and the Soviet Union in Geneva will be taken into account.

In the first 10 months of 1984 British exports to Romania fell back sharply to £59m, compared with £70m for the same period in the previous year. Romania's exports to Britain, in contrast, went up from £49m in the first 10 months of 1983 to £168m last year, mainly due to the sale of petroleum and petroleum products.

The dispute about Romanian arrears in payments to British Aerospace and Rolls Royce was also discussed. Romania has a contract to buy equipment and engines for 22 Ronbac III aircraft worth about £240m. The Romanians now owe about £4m to the two British companies for equipment that has been delivered but only partly paid for. Romanian officials indicated yesterday that the money would be paid soon and the problems resolved during the visit to Bucharest of a British Aerospace delegation later this month. The project is running about three years behind schedule.

Poland sets IMF target date

POLAND'S top negotiator in debt talks with the west, Mr Zbigniew Karcz, has told a Warsaw newspaper that decisions on his country's application to join the International Monetary Fund could be taken by the middle of this year, Christopher Bobinski writes from Warsaw.

The statement, in the weekend edition of Zycie Warszawy is the first time the Poles have put a date on when they expect to join. It comes as an IMF team is visiting Warsaw for talks on Poland's application, which until December last year was vetoed by the U.S. as a sanction against the banning of Solidarity in December 1981.

Brock cautions

U.S. Trade Envoy Mr William Brock indicated yesterday that Washington would not use economic sanctions against New Zealand for its ban on nuclear ship visits, Reuter reports from Kuala Lumpur. "There is a great deal of regret in the U.S. administration over New Zealand's action but I would be cautious to suggest that the U.S. would take any retaliatory action as we are not comfortable with that approach," he said.

Ethiopia drought plan

Etheipian leader Mengistu Haile-Mariam yesterday detailed a national plan to fight a drought which he said was blighting the lives of 7.5m of his countrymen, Reuter reports from Addis Ababa.

The seven-point plan includes a ban on imports of luxury goods, including private cars, and and stricter fuel rationing.

Sudan's floating rate

Commercial banks in Sudan are to introduce a floating exchange rate as part of measures to halt the slide of the country's currency, Reuter reports from Khartoum. The floating rate is intended to attract into the banking sector an estimated $500m (£454m) annually in remittances from Sudanese workers abroad.

Third World launch

TWO Third World communications satellites, for the Arab League and Brazil, are in orbit following their successful launch by the French-led European space rocket Ariane from Kourou in French Guiana late on Friday night, writes David Marsh in Paris. The Ariane blast-off was the seventh successive successful mission over the past 20 months.

House arrest for Kim

POLICE KEPT a tight security cordon around the Seoul home of opposition leader Kim Dae-jung two days after his return from exile in the U.S., aides said yesterday, Reuter reports from Seoul.

They said Kim, a Christian, had not been allowed to go to church this morning since police guarding the family compound had orders not to let him leave the house. He has been there since his return.

Showdown for Hawke

Australian opposition leader Mr Andrew Peacock concelled a European trip to confront Prime Minister Mr Bob Hawke over his handling of the country's defence policies, party officials said yesterday, Reuter reports from Sydney.

Portuguese coalition party elects leader

By Diana Smith in Lisbon

SR RUI MACHETE, Portuguese Minister of Justice, has been chosen as the new president of the Social Democrat Party (PSD), junior partner in Sr Mario Soares' centre-left coalition.

Sr Machete succeeds Prof Carlos Mota Pinto, who resigned as party leader last week after clashes with PSD factions.

A political moderate and a conciliator, Sr Machete is known to be acceptable to Sr Soares. A Socialist-Social Democrat summit is likely this week to discuss the consequences of the new PSD leadership. A Cabinet reshuffle will be necessary, since Prof Mota Pinto doubled as deputy premier and Defence Minister. Sr Machete has said he prefers to hold only the Cabinet post of deputy premier and thus the defence and justice portfolios will have to be filled.

A truce may have been achieved for a while within the PSD by the choice as vice presidents of the new political committee of leaders of the two most belligerent factions, Sr Joao Salgueiro, sometime finance minister, and Sr Marcelo Rebelo de Sousa, a lawyer and newspaper editor.

EEC energy consumption forecast to rise 2.8%

BY IAN HARGREAVES

ENERGY consumption in the EEC is expected to increase by 2.8 per cent this year, compared with 4.8 per cent last year, and nuclear power will replace coal as the main source of electricity, according to a series of forecasts by the European Commission.

The biggest rate of increase is forecast in nuclear electricity, which is expected to account for 30 per cent of the Community's electric power needs in 1985, compared with 26 per cent in 1984 and 22 per cent in 1983. A further 11 gigawatts (1,000 Mw) of nuclear facilities are due on stream this year.

Overall electricity demand increased by an estimated 5.5 per cent last year, almost all of which was met by the increases in nuclear output. This year, the Commission foresees a 4 per cent increase in electricity demand, in the face of falling real electricity prices.

The outlook for natural gas demand is uncertain, the Commission says, after an 8.5 per cent increase in 1984. This trend is thought unlikely to continue

Oil demand—which grew by 4.3 per cent in 1984, in part because of the effects of the UK coal strike—could decline in 1985, assuming the UK coal strike ends shortly. But the Commission thinks the underlying trend is far an annual 2 per cent increase in demand.

The main assumptions behind the forecasts are those of the Commission's 1985 economic forecasts. These suggest a 2.3 per cent rate of GDP growth in 1985 and 2.5 per cent growth in industrial production. Dollar crude oil prices are assumed to be stable during 1985 and 2.5 per cent lower in real Ecu terms.

* *Energy in Europe. Director General for Energy, European Commission.*

ESTIMATED GROSS INLAND FUEL CONSUMPTION

	1983	1984	1985
Solid fuels	206.6	195.2	205.3
Oil	411.2	428.7	426.5
Natural gas	165.1	179.3	176.8
Nuclear	78.5	97.0	117.4
Hydro	12.5	12.5	12.7
Total	875.7	914.1	940.4

(figures in million tonnes of oil equivalent)

Gandhi in talks with Sri Lanka

BY JOHN ELLIOTT IN NEW DELHI

THE possibility of a closer and more co-operative relationship developing between India and Sri Lanka emerged at the weekend when Mr Rajiv Gandhi, Indian Prime Minister, met Mr Lalith Athulathmudali, National Security Minister of Sri Lanka, in New Delhi.

Sri Lanka needs India's help to solve its Tamil ethnic problems which have led to renewed violence and deaths in recent weeks, threatening the country's stability.

It hopes India will try to stop the flow of terrorists from southern India and will also back future peace talks without angering the island's majority Sinhalese community by being outspokenly pro-Tamil.

The Sri Lankan Government feels India's attitude may have changed since the death of Mr Indira Gandhi, former Indian Prime Minister, who sometimes appeared to dominate and often angered surrounding countries.

Her son appears to have tried to avoid creating a similar impression in talks yesterday. "Mr Gandhi is a man of my own age group and talking to him was very easy," Mr Athulathmudali said

The talks had been "very useful and important" and the two countries had agreed "to maintain close contact at an appropriately high level."

One indication of a thaw in the relationship came when India decided yesterday not to impound a Zaire Airways cargo plane, carrying ammunition for Sri Lanka, which had landed in south India short of fuel on Saturday.

"At a different time that would have been looked at differently. I hope and I trust this is an example of how relationships are going to be managed," said Mr Athulathmudali.

Sri Lanka is buying between 10 and 20 fast patrol boats from Cougar Holdings of the UK to catch terrorists crossing the narrow straits between its beaches and southern India.

The Government's aim appears to be to restart negotiations on a settlement of the Tamil problem while taking a tough line.

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WORLD TRADE NEWS

John Griffiths examines the strategy of a Japanese car giant in Europe and the U.S.

Why expansion holds few fears for Honda

SETTING UP manufacturing facilities outside Japan holds fewer fears for Honda, the country's third largest car-maker, than for its principal rivals.

The reasons lie in the approach Honda adopted more than two decades ago, during its meteoric rise to become the world's largest motorcycle manufacturer. For many years, it has had motorcycle production or assembly plants scattered around the world.

In Europe, for example, its 70,000-a-year moped manufacturing plant has been operating in Belgium since 1963; another in Italy since 1976. It also has long had plants in the U.S. Its intentions in the UK mark a similar expansionist course for cars.

Honda's success in the car field has already been spectacular. In the past four years, its total car sales have increased from 814,000 to just over 1.2m. In 1975, its total car output was only just over 300,000

But its extreme dependence on sales outside Japan—accounting for 64 per cent of its revenue last year— has made it the most sensitive of all Japan's producers to import restrictions and protectionist sentiment.

The desire not to "rock the boat" too much in the U.S. where the domestic industry plunged into crisis in 1980 and restrictions on direct Japanese imports loomed into view, prompted it into becoming the first of the Japanese car makers to start manufacturing there.

HONDA'S SALES IN EUROPE (1983)

	Units	Market share (%)
W. Germany	30,766	1.27
UK	18,796	1.04
Netherlands	10,815	2.36
Belgium	8,999	2.65
France	8,227	0.40
Switzerland	7,028	2.54
Austria	4,149	1.61
Finland	4,055	3.39
Norway	3,277	2.99
Sweden	2,986	1.37
Denmark	1,162	1.00
Spain	872	0.16
Portugal	543	0.59
Italy	298	0.02
Ireland	2	0.00
Total	101,975	0.98

Source: Automotive Industry Data

Honda Accords have been rolling out of a plant at Maryville, Ohio, since 1982 and it is in the process of doubling capacity to 300,000 a year in 1988.

The combined investment is nearly $500m (£454m). In addition, a 150,000-a-year engine plant there is planned for 1988 and a plant in Canada should start producing 40,000 cars a year from 1987.

Honda's strategy is to become the largest Japanese car producer in the U.S. by 1990 — despite the fact that its two main and much larger rivals, Toyota and Nissan, have followed it into the U.S.

It can argue that having made the commitment to compete with U.S. manufacturers on "level terms," in theory wiping out the $1,000-$1,500 cost advantage the U.S. industry claims the Japanese makers possess on direct imports, the North Americans can hardly complain if they do not match up now.

Similar circumstances apply to the European market. Like the U.S., which has been restricting direct Japanese imports to 1.8m a year — they have a 22 per cent market share — the main European markets are hedged round with restrictions.

The UK has a "gentlemen's agreement" under which the Japanese have 11 per cent of the market, France imposes a ceiling of 3 per cent.

The Benelux countries got together in 1981 with the aim of restricting the Japanese to 10 per cent. In the event, no formal agreement was reached, but imports are monitored very closely.

Italy, under a unilateral restriction which predates the Treaty of Rome, allows in just 2,000 a year.

West Germany, Honda's largest market, has an informal understanding with the Japanese that they will not exceed 10 per cent

Where restrictions do not exist, such as Finland, the Japanese market share has risen as high as 40 per cent.

If Honda wants seriously to build up its sales in Europe, which ranks in importance with the U.S. at over 10m units a year, it too must launch into manufacturing, or at the minimum assemble cars with a "local" European content of at least 60 per cent.

To do so would give it unrestricted access to the EEC market. Under EEC rules, a car is defined as being "European" if the location of assembly is within the EEC.

Italy has already fought, and lost, one precedent-setting battle in this area when it sought to exclude from its market the Triumph Acclaim, which BL assembled under licence from Honda.

In addition, however, Honda would have to satisfy the UK Department of Trade and Industry that its cars have significant local content if the plan to build cars at Swindon is to succeed.

Since it plans to install an engine manufacturing plant first, it appears to provide ample evidence that this is Honda's intent.

U.S., Japan set to implement tariff pact

By Louise Kehoe in San Francisco

The U.S. and Japan will implement an agreement effectively to eliminate import tariffs on semiconductor products on March 1.

The agreement is scheduled to be formalised today with an exchange of letters between U.S. Trade Representative, Mr William Brock, and the Japanese Minister of Foreign Affairs Mr Shintaro Abe, in Tokyo.

The formal agreement comes 15 months after the two countries' trade negotiators reached an accord. The agreement will reduce to zero import duties payable on semiconductor devices from the current level of 4.2 per cent.

Such a move has long been sought by the U.S. semiconductor industry as a step toward removing barriers to free trade between the two largest producing countries.

U.S. industry executives welcomed the tariff elimination as the "first step in moving closer to a level playing field." The U.S. industry wanted free trade, said Mr Garry Arnold, executive vice-president of National Semiconductor.

He acknowledged, however, that despite Government and industry efforts to persuade the Japanese to open their markets to U.S. suppliers, Japan remained very difficult to penetrate.

While the elimination of import tariffs is designed to stimulate trade, its impact will be largely symbolic, according to U.S. semiconductor industry representatives.

In Tokyo, Japan also proposed to the U.S. that the agreement mutually to abolish tariffs on semiconductors might be duplicated on other micro-electronic sectors.

UK groups hope for computer orders from Soviet Union

BY JASON CRISP IN LONDON AND LOUISE KEHOE IN SAN FRANCISCO.

SEVERAL UK companies have expressed interest in selling personal computers to the Soviet Union, which is believed to be interested in placing a large order for use in schools.

Moscow trade representatives have approached IBM and Apple, the two largest U.S. makers of personal computers following the recent relaxation of U.S. export regulations restricting such sales to the Eastern bloc.

Quest Automation, which has strong links with the Eastern bloc and is a distributor of Applied Computer Technique's Apricot range in the UK, has had discussions about selling it in the Soviet Union, and Acorn, Britain's troubled home computer group, has already won a small order from the Soviet Union.

ICL, Britain's leading mainframe computer company, has had tentative discussions with the Russians about selling its personal computer and possibly building a manufacturing plant there. ICL is thought to have been just one of many Western computer groups approached by the Soviets.

A spokesman for IBM said at the weekend that company officials had been approached by Soviet trade officials through "normal channels." No orders had yet been received, and a spokesman said that reports of a Soviet plan to order up to 10,000 personal computers might be misleading.

Apple Computer executives are very interested in the potential market in the Soviet Union. Mr Albert Eisenstat, Apple's vice-president, said: "It is a great opportunity for us, in a marketplace that has gone begging up to now because of the rules that were in place."

Apple, which dominates the U.S. education market for personal computers, had been approached by Soviet representatives, "mainly in Europe," said a spokeswoman.

Until January 1, the export of U.S. personal computers to Eastern bloc countries was forbidden. A steady stream of U.S. computer products is, however, reported to have been smuggled to the Soviet Union. With regulations relaxed by the U.S. Commerce Department, computer manufacturers are cautiously looking forward to large orders.

Although Apple Computers and IBM were the only two U.S. personal computer makers that could confirm Soviet interest in their products, other companies said that they had no way of knowing whether their dealers or representatives had sold computers to the Soviets or were in contact with the country's trade representatives.

U.S. manufacturers are legally responsible for complying with export regulations on their products, but none of the personal computer makers contacted had instructed its dealers or representatives about the recent changes in U.S. export regulations nor warned them against unauthorised exports.

Computerland, the largest U.S. computer retailer, "is willing to offer, and make available, computer products and related services to anyone in the world; in so far as it is able to obtain the approval of the U.S. Departments of State, Commerce and Defense," said Mr William H. Millard, president. Mr Millard said, Computerland had not been approached by the Russians, but he acknowledged that the company "has no idea" what may have happened in its 800 franchised stores in 24 countries.

British clothes makers attack cuts in funds

BY ANTHONY MORETON, TEXTILES CORRESPONDENT, IN LONDON

A STRONG attack on government plans to reduce the money available to the British Overseas Trade Board has been made by Mr Norman Sussman, chairman of the British Clothing Industry Association.

He has told Mr Norman Tebbit, the UK Secretary for Trade and Industry, that "money allocated to the board is not public spending, it is public investment."

To meet a shortfall in its budget, the board is proposing to charge a fee for certain services. It is also proposing to phase out aid to companies after their second overseas visit.

The board has told companies that it does not make sense to provide a continuing subsidy to export promotion. Although basic information and advice will continue to be provided, companies will be expected to pay for specific services. That will ensure value for money from the reduced budget, the board has suggested.

The Government is seeking to reduce the board's budget as part of its general attempt to lower public spending.

Present indications are that the board's current budget of £27.5m ($31m) will go up fractionally to £27.7m next year and then fall in successive years to £27.1m by 1987-88.

That is equivalent to a cut of about 15 per cent in real terms, assuming inflation continues at around 5 per cent a year.

Even those figures are less than the board and the clothing industry had been led to expect at the time of 1984 public expenditure policy document.

The forecast for 1985-86 was then expected to be £1m higher than the present amount and that for 1986-87 to be £2.2m higher at £29.6m.

Mr Sussman has told the Government that the proposed cuts would actually penalise those companies that have been most successful in exporting.

The changes would have a particularly serious effect on the clothing industry because of the influence of fashion changes, which dictated that manufacturers go abroad at least every year, and sometimes twice a year to cater for spring and autumn seasons.

"It appears illogical to reduce expenditure on the board when all industry is constantly being exhorted to export more," he said.

World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

	Dec. '84	Nov. '84	Oct. '84	Dec. '83	% change over previous year
U.S.*	166.2	165.2	164.5	156.2	+6.4
W. Germany	101.3	103.2	104.3	99.7	+1.6
	Nov. '84	Oct. '84	Sept. '84	Nov. '83	
Japan	121.0	120.6	116.8	109.0	+11.0
UK	103.0	103.2	101.9	103.3	−0.3
France	101.8	102.8	100.3	100.2	+1.6
Italy	94.9	96.5	99.1	93.5	+1.5
Netherlands	102.5	100.6	103.7	96.1	+6.7

* 1967 = 100.

Source (except U.S. and Japan): Eurostat

French win Brazil Air Force order

By Andrew Whitley in Rio de Janeiro

THE BRAZILIAN Air Force has awarded a contract worth about $100m (£91m) to Aérospatiale, the French state-owned aircraft and aerospace company, for the purchase of 15 Super Puma helicopters, apparently ending the hard-fought battle with Sikorsky of the U.S.

The helicopters are being bought in the face of thinly disguised discontent among Brazilian Air Force officers over the choice and over the timing of the order in the last weeks of the outgoing Figuerfredo Government.

Contracts were signed on January 30, but news of the controversial sale has only just been disclosed.

At the end of last week, representatives of Sikorsky complained about the way in which the negotiations — handled directly between the Planning Ministry and a consortium of French banks — had been conducted.

"We only want one thing: The right to compete on equal terms," Sr Roberto de Souza Dantas, general manager of Powerpack, Sikorsky's local agent, said.

France is known to have offered Brazil a highly attractive parallel credit, estimated at up to $200m depending on the size of the purchases made, to be put at the disposal oft he Air Force and Navy.

Negotiations to sell another package of helicopters to the navy, are also likely to be completed ...shortly. ...This would involve ten Super Pumas and 15 smaller Esquilo helicopters.

Ann Charters adds from Sao Paulo: Volkswagen do Brasil has won a $20m order fro 1,000 trucks from China, the first time the Brazilian motor industry has gained a foothold in this potentially large market.

Volkswagen estimates that the Chinese market could absorb up to 15,000 trucks annually over the next two years. Negotiations are also under way for the sale of passenger cars.

This contract, together with others alerady concluded with Iraq and Nigeria, raises Volkswagen's exports of motor vehicles to a projected $500m year.

Sofia talks likely to boost trade week

Talks today in Sofia by Sir Geoffrey Howe, the British Foreign Secretary, and President Todor Zhivkov of Bulgaria are likely to give a political boost to the British "trade week" which also opens in the Bulgarian capital today, David Buchan writes.

Some 30 U.K. companies are taking part in the trade promotion drive, jointly organised by the London and Bulgarian chambers of commerce.

Asean meeting ends

Economic ministers of the six Asean countries ended their annual meeting in Kuala Lumpur, with agreement on several measures to promote trade and co-operation, Wong Sulong reports.

The ministers approved a 25 per cent across-the-board tariff cut for 18,000 items under the Asean preferential tariff scheme. The previous tariff cut ranged from 20 to 25 per cent.

SHIPPING REPORT

Markets stay depressed

BY CARLA RAPOPORT

WORLD shipping markets remained depressed last week, despite a small flurry of activity of grain charters from the US. to Alexandria.

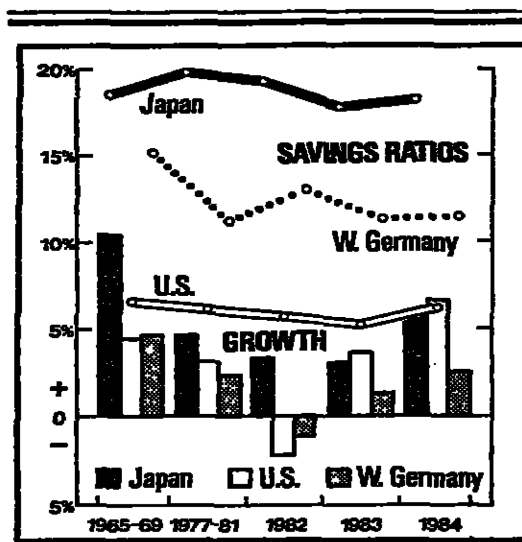
Freight rates in the dry cargo market have weakened to the point that many owners are barely able to cover their operating costs. Time charter rates for even the most fuel-efficient ships have tumbled to around $4,500 a day for round-trip voyage from around $6,500 a day just two months ago.

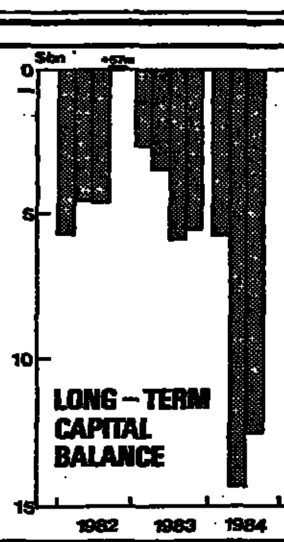
"It is difficult to foresee any immediate event that is going to move this market out of its present slough of despond," Mr Tim Brown of Denholm Coates, the London shipbrokers, said.

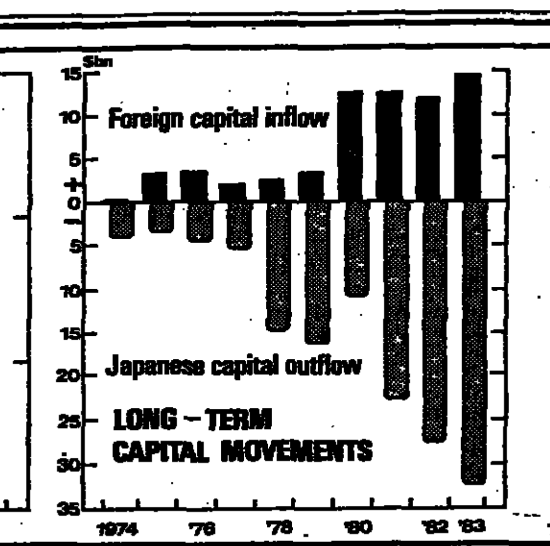
The week closed with freight rates largely unchanged in the large-sized dry cargo vessels, with North Pacific to Japan grain trade at $8.15 per ton per day, and U.S. Gulf to Europe at just over $9 per day. The Baltic Freight Index closed at 969, down from 971.5 last week.

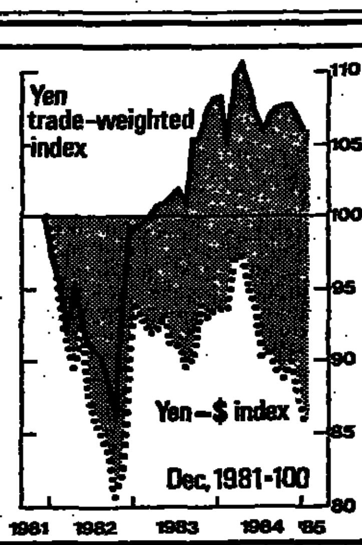
Tanker markets showed more life with the National Iranian Tanker Company active behind the scenes in the VLCCC sector.

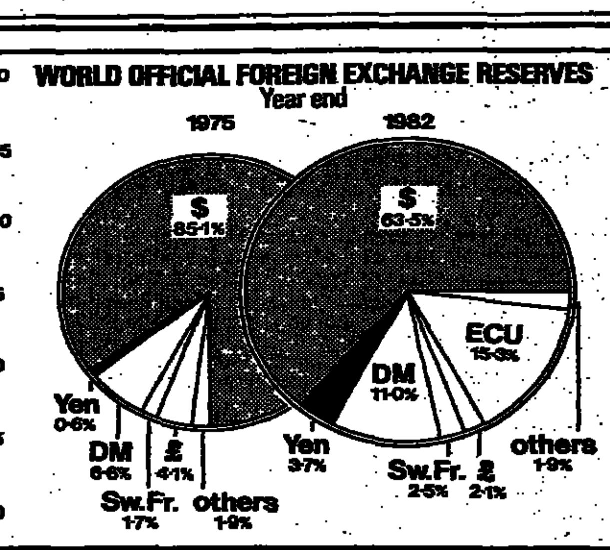
STATISTICAL TRENDS: JAPAN

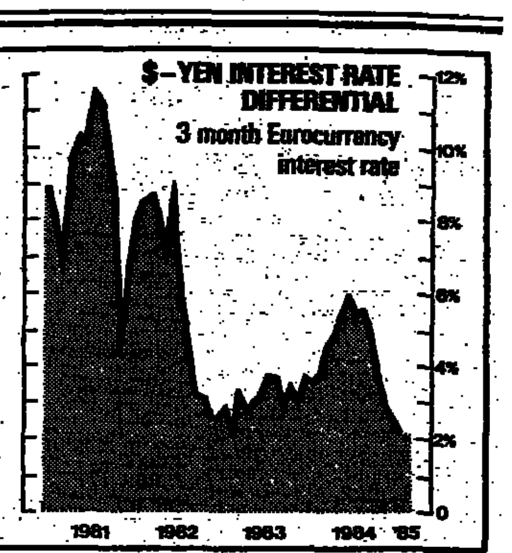


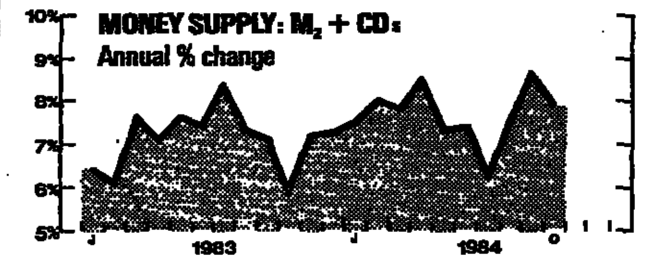


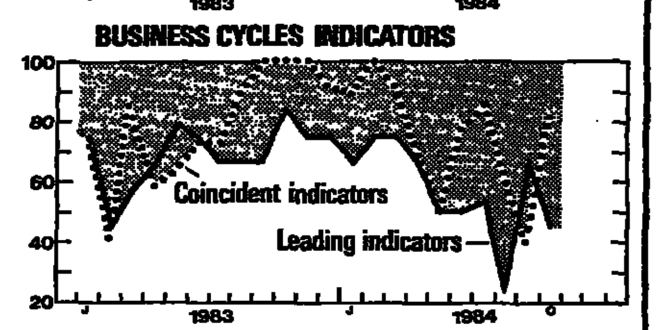


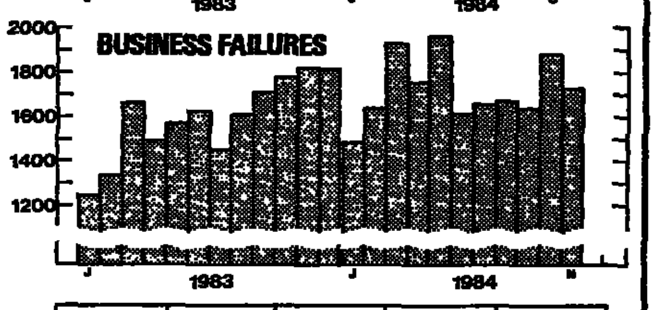


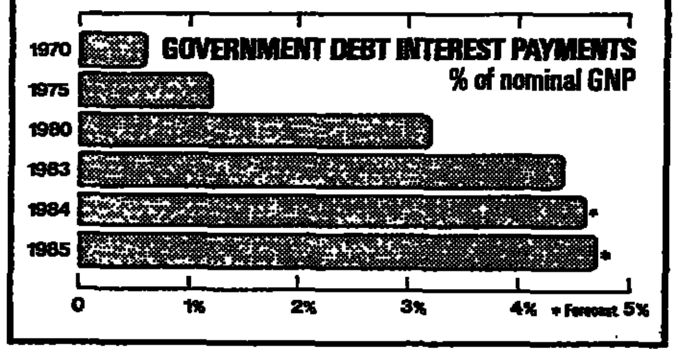












Surge in exports fuels growth of economy

LAST year, Japan's economy, measured by real Gross National Product (GNP), grew faster than expected at between 5 and 6 per cent. The major contribution to this growth was the surge in exports, in turn due to the expansion of the U.S. economy.

The contrast with the U.S. recovery is marked: there private consumption and capital investment were the strongest growth factors in 1984. Capital spending in Japan is quite strong at present, but consumer spending has remained fairly weak. The export-led boom appears to have fed through slowly to domestic demand, while bankruptcies have continued at a high rate. The savings ratio—the ratio of savings to personal disposable income—has remained stable.

Growth is expected to slacken slightly this year, with the contribution to growth from exports predicted to drop quite sharply in the wake of the slowdown in the U.S. market. Private consumption and investment are expected to take over from exports in sustaining growth.

Comparisons between the savings ratio in Japan, West Germany and the U.S. illustrate the well-known Japanese propensity to save. Part of this is due to the low provision of social services and pensions, a situation which is unlikely to change radically given the Government's attempt to cut its deficit. Debt is now seen as a major burden on the Government, with debt interest payments estimated as the largest single item of expenditure in the current budget.

The high savings ratio is also a factor in the relative weakness of the Yen. Large pools of savings are available which have not recently had attractive outlets inside Japan, either for capital investment or in the financial markets. Since the relaxation of foreign exchange and external investment laws in 1980, these funds have had outlets abroad. The high interest rates on offer in U.S. dollar-denominated assets have drawn record capital outflows from Japan, exerting downward pressure on the yen. Even, the narrowing of the difference between interest rates on dollar and yen denominated assets has not slowed the outflows, which are expected to continue at a high level in 1985.

The cautious move towards further deregulation of Japan's financial markets, agreed in 1984, is intended to create more attractive yen-assets, and to "internationalise" the yen. As the data illustrates, the role of the yen in trade and finance does not reflect Japan's position as the world's second largest economy. The yen's status as a reserve currency is considerably smaller than the D-marks'.

The commodity breakdown of trade between the U.S., EEC and Japan, shows some disturbing trends, for Europe and the U.S. The relationship between exports and imports of electronic, data-processing and other machinery, has turned in Japan's favour, quite sharply in the case of the European market. Japan's exports to the U.S. and EEC are concentrated in high value goods, while the U.S. and EEC export chemicals, basic materials and foodstuffs.

The data on civilian employment trends show the long run decline in numbers of unpaid family workers, especially in agriculture and the increasing importance of wage labour, particularly for women.

JAPANESE TRADE WITH EEC

	% share in total EEC exports to Japan	% share in total EEC imports from Japan
Agricultural, food & beverages	12.5	1.5
Fuels, ores & metals	8.7	2.9
Leather, wood & furniture, footwear	3.8	0.4
Textiles & clothing	8.2	2.0
Chemical products	25.0	5.1
Rubber & plastic products	1.6	1.0
Paper & printing	1.3	0.6
Other manufacturing products	5.8	4.4
Agricultural & industrial machinery	9.6	7.8
Transport equipment (excl. motor vehicles)	7.0	9.4
Motor vehicles	5.7	17.9
Office & data processing machines	3.3	16.0
Electrical goods	5.8	29.8
Statistical adjustment	1.7	0.2
Total	100.0	100.0

Source: EEC Commission

JAPANESE TRADE WITH U.S.

	% share in total Japanese exports to U.S.	% share in total Japanese imports from U.S.
Agricultural & food products	0.8	33.8
Fuels, ores & metals	13.7	22.6
Leather, wood & furniture, footwear	0.4	2.6
Textiles & clothing	1.9	0.7
Chemical products	3.6	11.1
Rubber & plastic products	0.6	1.4
Paper & printing	0.4	3.0
Other manufacturing products	3.0	2.1
Agricultural & industrial machinery	8.2	8.6
Transport equipment (excl. motor vehicles)	5.0	2.9
Motor vehicles	32.3	0.5
Office & data processing machines	8.4	4.4
Electrical goods	19.8	8.9
Total	100.0	100.0

Source: EEC Commission

REAL COMPENSATION

per employee, total economy
Annual % change

	Japan	U.S.	EEC
1961-70 (average)	7.2	2.6	4.9
1971-80 (average)	4.2	-1.0	3.2
1981	1.9	0.7	0.9
1982	1.6	1.8	0.6
1983	5.9	2.2	1.3
1984*	2.4	1.4	0.8
1985*	2.1	1.3	1.0

* Estimate.

Source: Eurostat

CORPORATE ASSETS

% share of increases

	1970-74	1975-79	1980-83
Deposits	61.2	40.4	51.1
of which: yen Demand & time	59.0	25.3	7.8
CDs	—	3.9	16.6
Foreign currency	2.2	1.2	26.7
Equity	28.9	29.4	36.5
Other securities	9.9	30.2	12.4
Total	100.0	100.0	100.0
% of total in foreign currency	2.8	2.7	34.8

Source: Morgan Guaranty

YEN'S WORLD ROLE %

	1976	1983
Japanese		
Yen-denominated trade		
Exports	17.5	34.5
Imports	0.9	-3.0
International bond issues		
Yen	0.7	5.3
Dollar	61.0	57.0
DM	12.0	8.6
Eurocurrency deposits		
Yen	0.5	1.7
Dollar	75.3	81.3
DM	13.5	9.0

Source: OECD, Morgan Guaranty

CONTRIBUTIONS TO CHANGES IN REAL GNP

(as % of real GNP in previous period)

	1983	1984	1985	1984 I	1984 II	1985 I	1985 II
Private consumption	1.8	1¾	2	1.7	2	2¼	2
Public expenditure	0.2	¼	0	0	0	−¼	0
Private residential construction	−0.2	0	¼	0	¼	¼	¼
Other private investment	0.3	1½	1½	1.8	1½	1½	1½
Stockbuilding	−0.6	½	¼	0.6	¼	¼	0
Exports	1.0	3¼	2	3.7	2¼	2	2
Imports	0.6	−1½	−1	−1.5	−1½	−¾	−½
GNP	3.0	5¾	5	6.3	5¼	5¼	5

Source: OECD

CIVILIAN EMPLOYMENT

(000s)

	1962	1972	1982
Males			
Wage-earners	17,850	23,440	26,800
Employers and self-employed	6,930	6,640	6,470
Unpaid family workers	2,840	1,560	1,030
of which Agricultural			
Wage-earners	450	370	330
Employers and self-employed	3,560	2,850	2,050
Unpaid family workers	1,730	760	440
Females			
Wage-earners	8,280	11,200	14,180
Employers and self-employed	2,630	2,830	2,960
Unpaid family workers	7,440	5,520	4,830
of which Agricultural			
Wage-earners	280	80	120
Employers and self-employed	790	770	830
Unpaid family workers	5,200	2,920	−2,020

Source: OECD

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Graphics Department

U.S. AND JAPAN: CHANGES IN GNP

(% of real GNP in previous period)

	1983 U.S.	1983 Japan	1984 U.S.	1984 Japan
Private consumption	3.1	1.8	3¼	1¾
Public expenditure	−0.1	0.2	½	¼
Private construction	1.1	−0.2	½	0
Other private investment	0.3	0.3	2¼	1½
Stockbuilding	0.5	−0.6	2	½
Exports	−0.5	1.0	½	3¼
Imports	−0.6	0.6	−2½	−1½
GNP	3.7	3.0	6¾	5¾

Source: OECD

TRADE BETWEEN JAPAN, U.S. & EEC

Cover Ratio: Exports/Imports

	Japan-EEC 1979	Japan-EEC 1983	Japan-U.S. 1979	Japan-U.S. 1982
Energy products	0.04	0.44	0.06	0.0
Basic industry	0.79	0.78	1.45	1.41
Machinery and transport	3.33	3.85	5.86	6.90
Data-processing, electrical and electronic	6.25	12.50	2.90	3.32
Agricultural and food	0.19	0.30	0.02	0.03
Current consumption goods	0.72	0.85	0.75	1.21
Total	1.82	2.27	1.29	1.51

Source: EEC Commission

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Miners' leader sees possibility of fresh talks about talks

BY OUR INDUSTRIAL STAFF

A SLIM hope exists that the National Coal Board and the National Union of Mineworkers may be able to make a further attempt to agree an agenda for talks aimed at ending the 11-month pit strike.

Mr Peter Heathfield, the NUM general secretary, said last night that there may be a possibility of a further informal meeting in the near future.

Coal board officials, while not dismissing the possibility, stressed again that the NUM leadership must first agree that talks should focus from the start on the closure of uneconomic pits.

Drafts of the crucial agenda item on uneconomic closures have been circulating between the board and the NUM with the Trades Union Congress playing a mediating role.

The difficulties of re-starting negotiations were underlined by Mr Arthur Scargill, NUM president, who repeated his call for further talks without preconditions, and appeared to rule out discussion of uneconomic closures.

In a television interview, Mr Scargill explained that he would not allow discussion of closures on economic grounds "because there are only two issues involved. The first is the coal board's announcement on March 6 1984 to close capacity and as a consequence close 20 pits with the loss of 20,000 jobs.

"The second is the closure of the five collieries in contravention of an agreement between the NUM and the coal board. These are the issues which really require settlement. Any other issue which people want to raise, quite frankly, is not a matter for the settlement of this dispute."

Mr Scargill stressed, however, that the union was prepared to accept the amended colliery review procedure – including an independent element – agreed between the board and the pit deputies union, Nados, last October, and said that the board could "raise whatever they want when discussing the future of a pit, within this amended procedure."

The board said last night that Mr Scargill's statement represented nothing new in his position. It has already rejected the joint request from the NUM and Nacods for fresh talks, insisting again that the management's right to take decisions about the future of pits must first be recognised.

The Nacods executive meets tomorrow to discuss the board's rejection of the joint demand. However, that rejection stresses that the preconditions demanded of the NUM in no way compromise the pit deputies' agreement, and it is unlikely that they will press for industrial action.

Return to work figures this week will play a decisive part in the thinking of both sides. The board yesterday took out advertisements in Sunday newspapers claiming that 83,000 NUM members "have decided the strike is finished" and advising men that they would get £380.00 in holiday pay and other entitlements on returning to their pit with an average of £1,500 tax free by April 5.

● Mrs Margaret Thatcher, the Prime Minister, and senior colleagues sought to isolate the leadership of the NUM by branding them "extremists" compared with the "moderate" Government, Peter Riddell, Political Editor, writes.

This line emerged during speeches at the annual conference of Young Conservatives at Bournemouth, southern England.

Mr John Selwyn Gummer, Conservative Party chairman, accused Mr Scargill of employing violence and deceit and of bringing deprivation, loss and unemployment to the mining industry.

Industry 'starting to quit big cities'

By Brian Groom, Labour Staff

INDUSTRY is starting to abandon the big cities – the traditional strongholds of trade union acitivism – and disperse production to smaller towns where labour is more pliant, according to a new study.

Mr Chris Mulhearn, of the department of town planning at London's Polytechnic of the South Bank, says this poses a threat to the future of the trade union movement beyond that already posed by unemployment. He believes unions are responding inadequately.

New technology means fewer workers and fewer skills, he argues, and so industry need no longer depend on mass labour. He questions why companies should tolerate "the aggravation of strong trade unionism which thrives in the older cities when they can move to forward-looking towns" where workers are "more flexible and co-operative."

"In addition, thrusting development agencies offer considerable resettlement assistance. New technology means greater locational choice, and industry appears to have slipped its leash," he says.

Plan to axe state pension scheme

BY ROBIN PAULEY

THE STATE earnings related pensions scheme will be abolished if the Cabinet accepts the recommendations of Mr Norman Fowler, Social Services Secretary, as part of his plans radically to reform Britain's social security arrangements.

A special Cabinet committee, chaired by Mrs Margaret Thatcher, the Prime Minister, is now examining the proposals which have resulted from Mr Fowler's four major social security reviews. A plan to publish the Government's views on budget day (March 19) has been dropped.

Instead, a Green Pap er (discussion document) will be published after Easter as a prelude to legislation in the next parliamentary session.

Some of Mr Fowler's more radical plans involving the elimination of some small grants and benefits are politically sensitive and may not get through Mrs Thatcher's committee.

Ministers have been anxious for some time about the pension scheme, which was introduced in 1978 as a result of the 1975 Social Security Act. The 1984 discussion document on public expenditure and taxation in the 1990s identified the present state pension schemes as "the major source of future pressures on social security expenditure."

The scheme will reach maturity at the turn of the century, and the main burden of its impact will be felt in the years 2015 to 2030. The scheme will pay, in addition to a basic state pension, an extra pension related to a worker's best 20 earnings years.

One problem with the scheme is that the number of National Insurance contributors, who fund the scheme, will rise only marginally from 21.8m now to 22m in 2025 while the number of pensioners will jump from 9.3m to 12.6m, taking the ratio of contributors to pensioners from 2:3 to 1:8 in 40 years. Some estimates suggest the scheme could cost an extra £20bn, at present prices, by the year 2030.

Under Mr Fowler's plan, the scheme would be killed off but the position of people who have contributed into the scheme so far would be fully protected.

It would be up to individuals then to enter into an occupational scheme, make private arrangements or use their money in other ways and accept that they would have only a basic state pension entitlement on retirement.

Mr Fowler would like to recycle savings made through his proposed reforms within the social security system to enable those basic benfits which survive, such as the basic pension, to be raised.

This raises a key problem with the Treasury which is looking for between £2bn and £4bn of net savings to the Exchequer from the changes.

The social security budget at £40bn a year is a third of all public spending and is the only sector left in which the Treasury feels it can reasonably hope for further large-scale cuts.

Labour 'must reject far-left tactics'

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR Party must reject calls to challenge the Government by extra-parliamentary tactics of defying the law on industrial disruption, Mr Roy Hattersley, the party's deputy leader, warned yesterday in a speech aimed at far-left critics of the present leadership.

His theme was that there now has to be a change of course. Labour "must no longer act like a defeated opposition putting its house in order. We must become a potential government offering an attractive but hard-headed alternative to both the principles and practice of Thatcherite Conservatism."

Speaking to his Birmingham constituency party after his unanimous re-selection as candidate for the next election, Mr Hattersley outlined a strategy aimed at regaining Labour the political initiative which has been lost during the miners' strike and at answering the far-lef. advocates of immediate action.

He stressed the need for the party to believe that Labour can win the next election. However, he warned that "already there is a dangerous tendency to pretend that parliamentary power is not the only way to frustrate the Conservatives' intentions."

In an obvious reference to the intensive debate among Labour councillors about resistance to rate-capping – government curbs on local council spending – he warned that "refusing to obey the laws which Mrs Thatcher introduces or attempting to bludgeon her into submission by co-ordinated industrial disruption will have only one effect. It will alienate from the Labour Party the essentially democratic people of this country. Such tactics are wrong in principle."

Falling orders hit building industry

By Joan Gray, Construction Correspondent

A GRIM picture of declining employment and falling orders in the construction industry emerges in the latest workload survey from the Federation of Civil Engineering Contractors (FCEC).

The survey shows that companies' orders have deteriorated in both value and volume since the previous survey in October.

"Clearly disturbing," it says, "is the fact that 11 per cent of companies reported that they have no civil engineering work on their books at all."

The survey says that the prevailing mood among companies of all sizes is one of pessimism, with few anticipating any improvement.

Mr Derek Gaulter, FCEC director general said: "Whereas the large firms were more optimistic three months ago, now they too are pessimistic about the outlook for civil engineering."

Although the largest companies – those employing more than 1,000 people – have been most successful in maintaining their order books, this has been achieved by tendering for smaller contracts.

Renault hopes new R5 will halt market decline

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT, the French state-owned car group, hopes to halt its steady decline in the British car market with the introduction of the new R5 on Thursday.

The company wants to boost sales of the new R5 to 27,800 in the first year, equivalent to the highest level achieved by the old R5 in the UK.

In 1980, Renault sold 27,800 R5s which helped give the group a best-ever market share in Britain of 5.84 per cent – 88,343 cars in total.

Since then Renault's penetration has contracted sharply, to 3.41 per cent last year, and its volume was down to 59,779 cars. Of that about 15,500 were old R5s.

The small-car sector in which the R5 competes has grown in the UK to about 400,000 a year, or 28 per cent of total car sales. Renault hopes to capture 6 to 7 per cent of the sector in the first year in Britain – a more optimistic target than for most other countries because its objective is about 5 per cent of a 2.2m small car market across western Europe.

Competition is intense in the UK, and the R5 has 12 main competitors led by the Ford Fiesta and the Austin Metro.

Renault has priced the new R5 very aggressively, in line with the Metro and below Fiesta list prices. Including all taxes, the new R5 range costs between £3,845 and £5,895 although a more expensive R5GT turbo is due on the UK market in the middle of the year.

UK NEWS

Cambridge area created '4,100 high-tech jobs'

BY PETER MARSH

BRITAIN'S high-technology boom area around Cambridge has generated 4,100 new jobs in five years in mainly small, science-based companies, according to a report on the region published today.

Ninety per cent of these new jobs were created in enterprises less than 10 years old, says the study, by Segal Quince and Partners, a Cambridge company of planning consultants.

Over the past decade, the Cambridge area has produced new companies in disciplines such as computers, electronics, instruments and biotechnology at an average rate of three every two months.

In recent years, the trend has accelerated – 32 new high-technology companies were formed in 1983, with the figure for 1984 slightly lower.

The study is a detailed investigation of 261 technology-based enterprises in Cambridge and its immediate surroundings. The report's authors believe this represents 85 per cent of all such companies in the area.

Many of the companies have connections either with Cambridge University or were started by people leaving high-technology enterprises already established in the region.

The 261 organisations, of which 60 per cent were formed in the past six years, employ 13,700 people out of a total workforce in the Cambridge area of about 100,000. Total annual turnover of the companies came to £890m in 1984.

The report shows that the 128 companies established since 1979 produced 2,030 new jobs, roughly one sixth of the total. Enterprises started over the past decade account for just over a quarter of all high-technology jobs.

The report will be seized upon as evidence of the power of new technologies and "spin offs" from academic institutions to create jobs. Segal Quince says that the science and technology departments of Cambridge University have played a key role in aiding growth of the new companies.

The report traces the distinctive genealogy of the Cambridge high-technology companies, the best known of which include Sinclair Research, Acorn Computer, Cambridge Consultants and CIS (which sells computers software).

Many of the enterprises formed since the mid-1970s are related through a family-tree structure

Management institute advises against job-sharing schemes

BY JASON CRISP

ONE in five British workers is part-time, which is a higher proportion than almost any other country, according to a survey published today by the British Institute of Management.

In spite of the very high level of part-time working, the BIM strongly advises against job-sharing schemes. It says these are uneconomic for the employer and do not provide a sufficient wage for the employee to live on.

The number of part-time workers in the UK has doubled in the last 20 years to 4.5m, according to the study. Two out of three part-timers are women, and over 30 per cent of the men have retired from full-time work.

The BIM expects the number of part-time workers to grow, and wants the Government to introduce more flexible policies for tax and benefits.

The institute believes that part-time working should be a standard part of company employment policy. It notes: "Advantages to the employer of part-time workers are flexibility and low costs while giving employees an opportunity to supplement household incomes and maintain social contacts which dovetail with family commitments."

Other advantages, according to the report, include the ability to cover peak demands and holidays, minimising disruption caused by split shifts and unsocial hours, source of recruitment for full-time positions, introducing school leavers to working life and establishing a pool of trained employees for future promotion.

Although the institute favours the flexibility provided by part-time workers, it strongly opposes job-sharing.

"Job-splitting adds to the employers' costs of recruitment, payroll administration and training without any corresponding benefit."

Managing New Patterns of Work, published by the BIM, costs £6.50 inc p&p for non-members and £5 to members. Copies from Management House, Cottingham Road, Corby, Northants, UK.

Sharp rise in company failures

COMPANY failures rose sharply in January, and a moving average of a year's monthly figures edged up to equal the previous record, according to Trade Indemnity, the credit insurance company.

Failures notified by its policy-holders rose 13.4 per cent from January 1984 to 313. The sharpest increase was in textiles and clothing companies, 38 of which failed against 21 a year before.

The building and construction sector, food and agriculture, and retail and wholesale distribution also saw big increases, although Trade Indemnity cautioned that monthly figures can be volatile for individual trades.

More reliable evidence, it said, was provided by a newly-introduced moving average of the previous 12 months' totals, which rose to 330 in January. This equalled the record set in June 1983, after which it dipped to a low of 315 in April 1984. Over the whole of 1984, the monthly average was 327.

Over the latest 12 months, failures among building and construction companies have increased. By region, failures have been rising in East Anglia, the North of England, the South West and the West Midlands.

□ SERVICE charges paid by office tenants rose on average by 25 per cent more than the prevailing inflation rate between 1979 and 1983, according to a survey carried out by Jones Lang Wootton, the chartered surveyors and estate agents. Biggest cost components were energy, wages and cleaning, and highest cost increases involved repairs and maintenance, security and wages, which all rose by 90 per cent.

□ SIR Nicholas Henderson, former British ambassador to Paris and Washington, has been appointed chairman of the Channel Tunnel Group. Sir Nicholas, 65, is a director of Tarmac, one of the consortium members, which also includes Balfour Beatty, Costain UK, Taylor Woodrow and George Wimpey. The group proposes a two-way rail link, with cars transported by train.

□ THE LONDON Stock Exchange is investigating dealings in Acorn Computers before its shares were suspended by the company last week. Shortly after the suspension, Acorn announced it had sacked its financial advisers, Lazards, and that its stockbrokers, Cazenove, had resigned.

□ LIVINGSTON New Town Development Corporation in Scotland has decided to refuse planning permission for the Union Carbide chemicals company of the U.S. to set up a £6m gas mixing plant, following angry reaction from local residents.

□ SMALL Systems Engineering, a north London company, has won type approval for a telephone exchange for small officies. The exchange is being made under subcontract by Thorn-Ericsson and is one of the first newly-developed UK exchanges to get approval.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Anyone wishing to attend any of the above event is advised to telephone the organisers to ensure that there has been no change in the details published.

Current
International Men's and Boys' Wear Exhibition (021-705 6707) (until February 13) **Olympia**

February 12-14
Brighton International Catering Exhibition — CATERBRIGHT (01-222 9341) **Met Exhibition Hall**

February 17-19
International Trade Show for Home Computers, Software and Leisure Electronics—LET (0923 777000) **Olympia**

February 19-21
Refrigeration and Air Conditioning (01-688 7788) **Wembley Conference Centre**

February 25-March 1
International Food and Drink Exhibition (01-486 1951) **Olympia**

February 26-28
Fleet News Motor Show (0733 63100) **Wembley Conference Centre**

February 26-28
PC Trade Show (01-837 3699) **Barbican Centre**

March 5-8
International Powder and Bulk Solids Exhibition—(POWTECH) (01-572 2121) **NEC, Birmingham**

March 5-31
Daily Mail Ideal Home Exhibition (01-222 9341) **Earls Court**

March 6-8
Digital Equipment Hardware and Software Exhibition — DEXPO EUROPE (01-582 9256) **Olympia**

OVERSEAS TRADE FAIRS

Current
International Motor Show (Passenger cars)—PERSONENAUTO (020 44 09 44) (until February 17) **Amsterdam**
International Boat Show (01-486 1951) (until February 17) **Helsinki**
International Exhibition of Women's Ready-Made Clothing—Pret-a-Porter (01-439 3964) (until February 13) **Paris**

February 20-24
International Holiday Fair and Exhibition — FERIENMESSE INTERNATIONAL (01-981 2806) **Vienna**

February 23-27
International Spring Fair (01-734 0543) **Frankfurt**

March 1-4
International Publications Festival—LITERASIA (01-236 2399) **Hong Kong**

March 3-7
International Spring Fair (01-486 1951) **Utrecht**

March 5-9
Toy, Gift & Sationery Spring Show (01-839 5901) **Taipei**

March 7-17
International Motor Show **Geneva**

March 12-14
Semicon Europa Electronics Show (01-353 8807) **Zurich**

March 19-23
International Printing and Packaging Machinery and Materials Exhibition — PRINTING AND PACKAGING INDONESIA (01-486 1951) **Jakarta**

March 22-27
International Travel Exhibition (021-705 6707) **Budapest**

BUSINESS CONFERENCES

February 12
Brazilian Chamber of Commerce: New opportunities for industry, trade and natural resources (01-499 0186) **Hilton Hotel, W1**

February 13
The Henley Centre for Forecasting: Foreign exchange rates—FX Analyses, forecasts and world business prospects (01-353 9961) **Cumberland Hotel, W1**

February 14-15
Risk Research Group: The future of Lloyd's (01-236 2175) **Great Eastern Hotel, EC2**

February 18-19
Open Computer Security: The International Data Security Conference 1985 (0273 672191) **Dorchester Hotel, W1**

February 20
The Henley Centre for Forecasting: Consumer markets — changing the rules of the game (01-353 9961) **Cumberland Hotel, W1**

February 20-21
FT Conference: The Third Automated Manufacturing Conference (01-621 1355) **Intercontinental Hotel, W1**
Inter-Continental Hotel, W1

February 21
WP Text Communications 1985 (01-242 4141) **London**

February 22
Oyez IBC: Third and fourth generation PABX's — preparing for the next five years (01-236 4080) **Hilton Hotel, W1**

February 23-24
Institute of Retailing: How to start your own retailing business (Exmouth 266288) **Exeter Arms Hotel, Exeter**

February 26
Longman Seminars: Will drafting (01-242 2548) **Barbican Centre**

February 26
London Chamber of Commerce and Industry: Belgium—its sales potential for the EEC and its investment incentives (01-248 4444) **Cannon Street, EC4**

February 28
James Morrell Associates: Business forecasts—tax reform and unemployment (01-236 6950) **Bowater Conference Centre**

March 1
Longman Seminars: The protection racket—business tenancies (01-242 2548) **Cavendish Conference Centre, W1**

March 5
The Industrial Society: Use your share options (01-839 4300) **3 Carlton House Terrace, SW1**

March 8
Longman Seminars: Oil and gas law—the joint operating agreement (01-242 2548) **Cavendish Conference Centre, W1**

March 11-12
Euromoney International Financial Law Conference (01-236 3288) **Intercontinental Hotel, W1**

March 17-19
Metal Bulletin's Fourth International Iron Ore Symposium (01-633 0525) **Sheraton Hotel, Rome**

March 20-22
Seatrade Conferences: Money and Ships in the City 85 (01-623 71500) **Barbican Centre**

CONSTRUCTION CONTRACTS

Plastics factory on old steelworks site

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Norwest Holst is to build the Dutch-owned Curver Consumer Products new factory in Corby on the site of the old basic oxygen steelmaking plant, the first factory built there since the steelworks closed.

The first phase of the £12m project is due to be completed early next year. It will manufacture Curver's plastic housewares, such as washing-up bowls, pedal bins and brushes.

Curver has been selling its products in bulk in the UK for the past three years, and the volume is now sufficient to justify local manufacture, explained managing director Mr Cees Aerts.

"We chose Norwest Holst because they submitted the lowest tender," he said. Norwest Holst has a regional office in Corby, and "we are delighted that a local contractor won the contract and is providing extra *jobs in Corby now,"* he added.

Up to 40 local people will be employed at the peak of construction activity later this year, and the factory will provide more than 240 jobs when it is in full production.

The Curver group employs around 1,200 people and has an annual turnover of approximately £70m.

Mowlem busy in Scotland

Contracts together worth nearly £10m have been won by **MOWLEM (SCOTLAND)**, Glasgow, part of the Mowlem group. In Edinburgh, the company has won a £4.6m contract for stage I of the Portobello bypass. Being undertaken for Lothian Regional Council, it comprises construction of a bypass for the town centre largely along the route of a disused railway, involving demolition and rebuilding of bridges, bored piling and a work adacent to British Rail's east coast main line and overhead high voltage cables. Work has started for completion by July 1986.

A £3.1m contract has been awarded by Aberdeen Harbour Board for the construction of two deep-water berths to enable bigger cargo ships to use Regents Quay. The new berths — the fourth and fifth such specialised berths in the port — will have a 254 metre length of quay with a minimum depth at low tide of more than 9 metres.

Near Glasgow, Mowlem has a contract worth nearly £1m to construct advance work on the Johnstone/Howwood bypass for Strathclyde Regional Council These will provide two bridges, one over the Glasgow-Ayr railway line which will be large enough to accommodate electrification equipment, and earthworks in connection with the *realignment of the existing* road.

Two design-and-construct contracts have been won. The first, at £518,000 is for Gas Services Offshore and its subsidiary Gas Supplies International, at Westhill Industrial Estate, Skene, Aberdeenshire. Work comprises an office and workshop complex with concrete slab; steel frame and aluminium cladding for production of diving gas recovery systems and life support diving gases. At Tweedbank, Galashiels, *Mowlem has a £456,000 development* contract from the Property Services Agency for a single-storey timber-frame office building of 880 sq metres for the Department of Agriculture and Fisheries for Scotland.

★

NORWEST HOLST CONSTRUCTION has begun work on three contracts worth £5m. The £3m Ladbroke Lodge Hotel, Basingstoke, comprises 122 bedrooms in a two-storey quadrangle block built of pre-finished, pre-fabricated Lesser units and tiled pitched roofs. There is also a single-storey reception and public amenity wing, *including a leisure pool,* of structural steel *framed construction, with brick* cladding. The contract is due for completion in June 1985.

The Property Services Agency *has awarded a £1m contract to* refurbish St Peters House, Bootle. The 10-storey office block will be modernised. Work includes stripping out internally, installing demountable partitions and suspended ceilings, mechancial and electrical services and lift refit, internal and external painting and upgrading windows and staircases. Work is due for completion by the end *of May 1985.*

Refurbishing Pearl offices

TARMAC CUBITTS has started work on a £5.4m office refurbishment project in central London for Pearl Assuprance. The eight-storey offices, 10-18 Victoria Street, close to New Scotland Yard were built by the company 30 years ago. Work involves upgrading the interior, including fitting suspended computer *flooring at each level,* renewing mechanical and electrical installations, and reglazing the precast concrete front elevation with solar controlled glass. The contract is scheduled for completion within a year.

★

DOW - MAC CONCRETE, a member of the Norcros Group, has won a £1m order for a prefabricated multistorey structure for the Torrington Project, a major town centre development at Royal Tunbridge Wells. The contract comes from Wiltshier Properties, which is developing *the centre. It includes a super*market, shops, flats, offices and four levels of car parking. At a similar development in Basildon, Dow-Mac has gained a £725,000 contract, its second largest single Spanframe order. A package design by Balfour Beatty will use Dow-Mac units for a multistorey car park and *a giant toy* superstore called Toys R US. Three further orders for Spanframe are for car parking at superstores in Stockport (£417,000) and Harrogate (£207,000) and a retail superstore and offices at Hemel Hempstead (£303,000).

★

MATTHEW HALL NORCAIN **ENGINEERING,** a member of the Matthew Hall Engineering Group, has been appointed to carry out a £3.5m project for detailed engineering design, procurement and construction for the Boots Co at Beeston, Nottingham. The project involves extending existing facilities to boost production of the anti-arthritis drug Ibuprofen. The contract is worth £995,000 to Matthew Hall Norcain Engineering.

French Kier wins £31m orders

French Kier Construction has won contracts worth £31m during the past three months, of which the largest is on office development in central London for Samuel Properties Development.

Other work includes building a ne wMoat House Hotel in Telford ***for*** **Queens Moat Houss, an education cer f.r.e at Homerton hospital in London for the North East Thames Regional Health Authority, extensions to Spalding hospital in Lincolnshire for Trent Regional Health Authority, and alterations to H.M. Prison in Gloucester for the Home Office.**

All the centracts were won in competitive tender.

★

R. *MANSELL* *has been awarded* contracts totalling more than £6m for refurbishment, repair, maintenance and minor works. At 8-11 Montague Street, WC1, £1m conversion of four houses for the Public Services Agency into offices and workshops in connection with the British British Museum's historic buildings section. Work is scheduled for completion on March 31 1986. For the Greater London *London Council refurbishment of 23 flats* at Morris House, Salisbury Street, W8, under a contract worth £530,000. A £350,000 management fee contract for alterations, refurbishment and extensions to the Duke's Hotel, St James's Place, SW1, while remaining in occupation.

At Battersea Park Estate, Rowditch Lane, SW11, £700,000 of repairs to the external fabric of five blocks of flats for the London Borough of Wandsworth. Maintenance worth nearly £650,000 of the WRAC Centre at Queen Elizabeth Park, Guildford *for the PSA. Single-storey exten*sion and external alternations to Barking Telephone Exchange, North Street, for the Department of Environment. under contract worth nearly £300,000.

★

Greycoat City Offices has awarded the major modernisation and refurbishment of Baltic House in Leadenhall Street, worth nearly *£4m,* to **FAIRCLOUGH BUILDING,** *which will* strip the 6,820 cu metre nine-storey interior removing all partition walls, finishes, services, *lifts* and windows. Refurbishment will entail a full internal reconstruction with a new mezzanine floor and a new sixth floor together with extensions to existing floors. Exterior work includes building new elevations to the extensions, installing double-glazed win*dows, and cleaning and repairing* the stone frontage.

Conder builds civic centres

CONDOR GROUP *has* been awarded contracts totalling £11.6m. Condor Projects Wales has been awarded two local authority civic centre design and construct contracts worth £9m by the boroughs of Afan and Ogwr. The Afan civic centre will cover 8,500 sq metres while that at Ogwr will be 9,000 sq metres

The Afan Centre is being built near the Aberafan shopping centre at Port Talbot and will include a civic suite, a *700-seater* hall for civic occasions. Mainly three-storey, the structure will have cream facing-bricks complemented by the dark grey slate roof.

The Ogwr Civic Centre will be built as three linked buildings and will be sited between the River Ogwr and a dual carriageway. The Centre will have six levels, including a car park (100 cars) on level 1 together with the main store and services.

★

Nationwide Hospitals has placed a £2.6m contract with **CONDER NORTHERN** for work on a new private hospital and continuing car complex at Anlaby on Humberside. The contract covers construction of a *30-bed* acute medical/surgical hospital having single rooms with bathroom or shower room en suite, one full *operating theatre and a minor* treatment room within the theatre suite, X-ray suite, outpatients treatment and day care accommodation and full supporting and ancillary services; a medium stay care centre of 10 beds in single-room accommodation adacent to 47 domiciliary nursed residential units. The development of the continuing care complex will create approximately 100 obs during the build*ing phase and more than* 70 permanent obs when completed. Work is due to start on April 1 and the provisional opening date it July 1, 1986.

★

Contracts worth more than £1.1m have been awarded to ***R. M. DOUGLAS CONSTRUCTION.*** Largest, at £604,000, is for a multi-use depot for British Gas at Wigan,

Taylor Woodrow North Circular Road extension

TAYLOR WOODROW CONSTRUCTION has been awarded a £19.7m contract by the Department of Transport to build the first phase of an extension to the A406 North Circular Road in London. The company will build a 1.86 mile stretch—between the *A12* and *A118 roads—of* the South Woodford to Barking relief road, which crosses the eastern side of the Roding Valley, and joins the A13 road near Barking. Work will start soon, *for* completion by mid-1988. Included in the contract will be the interchange between *the relief road and the A118* as well as 800-metre long viaduct carrying the new carriageway over the main London to Tilbury and Southend *railway* line *and* the A118. The work involves smaller bridgeworks and construction of dual three-lane road, as well as dual two-lane road, two-lane slip roads, link roads and alterations to side roads. The project entails 60,000 cu metres of excavation and placing 260,000 *cu metres of fill in embank*ments, environmental mounds and landscaped areas. Fencing, drainage, road signing, lighting and traffic signal installation are among the ancillary works.

The company has won contracts worth a total of £4.3m to extend an existing shopping arcade *in Dorchester.* by providing a Waitrose supermarket and nine shops. Orders involve construction and fitting out. Taylor *Woodrow Developments is the* developer. Construction has started for completion in March 1986

★

Work has begun on a £1m contract to extend Dunhills (Pontefract) sweet factory. Work comprises a five-storey extension to a sweet factory. The building is reinforced concrete framed from ground to fourth floors, and top floor comprises a steel *mansard frame covered with* aluminium sheet. The building is clad in high quality facing bricks.

TECHNOLOGY

EDITED BY ALAN CANE

EEV INVESTS £5M IN PRODUCTION OF SPECIAL SILICON CHIPS FOR SECURITY CAMERAS

Charge of the light sensors

BY ELAINE WILLIAMS

TINY silicon chips, which convert light into electric pulses, are becoming the focus of attention for electronics manufacturers.

EEV in Chelmsford will be the first British company to mass produce charged coupled devices. It is investing £5m in these components which are a key element in the manufacture of small, low power consumption cameras.

Charged coupled devices (CCDs) have a growing role in industry and the market for these components is now worth several hundred million pounds. CCD cameras are used for security surveillance and as part of robot vision systems. Smaller arrays are built into facsimile machines to convert words and pictures into an electric signal for transmission over the telephone network.

Optical character recognition systems are also based on CCDs. For example, Saab Combitech in Sweden uses small arrays for reading information on the side of pallets as they move along a production line.

In essence, charged coupled devices (CCDs) are simply sensors which convert light into a coded electric signal. Each device is made up of arrays of tiny cells called elements. One of EEV's planned products has more than 250,000 elements in an area no more than a half-inch square.

When light is focused onto the array each cell develops an electric charge proportional to the light intensity. This can be digitally coded to represent the original image and displayed on a computer or video screen.

As in a television system, the image is scanned many times a second to produce a changing picture. In the CCD, which will be made by EEV, there are thus two arrays, one to capture information during each scan and a second to act as a temporary store for displaying the scene.

EEV will specialise in the production of solid state cameras for the surveillance, industrial and military fields, though there will be some applications in the medicine, astronomy, nuclear physics and space. This business alone will help increase sales from a projected £1m in 1986 to more than £12m in a five year period.

The move will take EEV, part of the GEC group, into the realms of semiconductor manufacture for the first time, said Mr Mike Mandl, the company's managing director. EEV's roots lie in the production of imaging tubes based on thermionic valves for television cameras.

However, electronic cameras are beginning to oust the vacuum tube because they allow lighter more compact cameras to be built which consume far less energy.

The company has teamed up with Reliance, a security company within the GEC group, to develop systems for the surveillance market. Because CCD cameras are small and light they can be better concealed around a building. Mr Mandl commented that they could be hidden in gargoyles in old offices, for example without destroying the aesthetics of the building.

In the military field, EEV has developed cameras which combine its image intensifier technology for night vision with the CCD. This allows the image picked up by the night vision cameras to be viewed on a television screen for the first time. Normally, a soldier has to look directly through the viewfinder which can be very tiring for long periods.

CCDs were invented in 1969 at Bell Laboratories though the first production devices are claimed by another U.S. company Fairchild, which is now part of Schlumberger, the international oil services group. Today several companies produce these devices including Thomson CSF in France, Sony and Hitachi in Japan.

The team that will manufacture and sell charged coupled devices. From left to right: Mr P. Ruggles, divisional manager; Mr T. Sheppard, marketing director; Dr P. Bailey, CCD technical manager; Mr Vaughan Kitchin, assistant manager and Dr M. Geary assistant technical manager. Behind them is the production facility due to be completed later this year

Sony and Hitachi, unlike EEV, are interested in the use of CCD cameras to produce small lightweight colour video cameras for the consumer market. EEV has opted for a more expensive type of CCD which precludes its use for that market.

According to EEV, a charged coupled device is one of the most complex silicon chips to make. There are 83 defined processed steps and each wafer needs nine separate masks to build up the intricate patterns of each array. Simpler chips would have typically only three or four mask stages.

For the past four years, EEV has worked closely with GEC's Hirst Research Centre at Wembley where most of the development work for CCDs has been carried out. EEV engineers were seconded to the centre to build up production experience at the prototype facility there.

Full production of CCD will begin in November at the Chelmsford site with 30 new staff. Mr Mandl said that the first year's production would satisfy the requirements of the group with outside sales beginning within a year.

FOOD PRESERVATION

Neat way to pack meat for transport

BY PETER MARSH

THE New Zealand Government may turn to a novel gas-packing technique to ensure preservation of chunks of lamb that are shipped around the world.

The Government, which is responsible for lamb exports, has held discussions with PA Technology, a British company, about putting the meat in packs surrounded by an atmosphere of carbon dioxide, oxygen and nitrogen.

These gases are the predominant constituents of air, but they would be channelled into the packs in different mixtures from that found in the atmosphere. The composition would be such that the activity of bacteria naturally present in meat is slowed down, thus adding to the time that the lamb can be stored.

Gas-packing is one of several food-preservation techniques under study at the laboratories of PA Technology in Melbourn, near Cambridge. The company, part of the PA management-services group, does technical consultancy work for industrial organisations.

In Britain, Marks and Spencer and Ross (which sells frozen fish) have pioneered developments in gas packing for meat and fish. The exact composition of the gas in the packs is normally kept under wraps to preserve commercial secrecy.

According to David Smith, a food technologist at PA Technology, a combination of different preservation techniques is often required to make modern foods acceptable to the average consumer.

The basic idea of preservation is to inhibit the activity of bacteria, either by killing them or reducing their effect (for example by starving the foodstuff of air).

Conventional techniques include canning (in which the food is sterilised through prolonged cooking, freezing and vacuum-packing. Food companies may also turn to age-old measures such as adding chemicals like sodium nitrate to curb the action of bacteria or subjecting the material to woodsmoke.

Frequently, not one but several methods are used. Take kippers. To preserve these, manufacturers use "liquid smoke"—the condensed products of smoke in a solution that is brushed on to the fish.

The process gives a kipper that is lacking in the brown colour associated with traditional kippers, so the food maker has to add a dye. This, in turn, involves the addition of water which provides a breeding ground for bacteria and speeds up their action. To reduce this effect, the manufacturer has to starve the fish of air, putting the food in a vacuum pack.

A similar strategy applies with bacon. Food engineers inject brine into the material—salt preserves meat, as people have known for centuries. Besides increasing the volume of the bacon joint by 20 per cent, the water has an unwelcome effect in activating bacteria. To combat this, the manufacturer has to introduce other preservation aids such as additionof nitrite.

Researchers at PA Technology are also examining how to preserve foods by beaming into them gamma radiation from a cobalt isotope. The technique has been used successfully in Canada for increasing the time chicken carcases can be stored. The PA engineers say the technique does not involve a health risk. But public concern over radiation makes it unlikely that the procedure will be acceptable in Britain for some time.

Components

Circuit testing from Teradyne

TERADYNE, the Boston-based automatic test equipment (ATE) company has developed a more powerful version of its A360 system for testing large-scale integrated semiconductor chips that have both analogue and digital elements on them.

The new system, the A370, has a basic price of $0.25m and is aimed at the world's semiconductor companies. It provides up to 50 per cent greater throughput than the A360 (of which some 300 have been installed throughout the world) but at only a 20 per cent increase in cost.

Mixed signal chips are becoming more significant in the electronics industry in those sectors where conversion between analogue and digital signals is becoming commonplace. In telecommunications, for example, speech signals in telephone instruments are turned into digit streams for line transmission and the outputs of sensors in motor vehicles are digitised for computer processing.

According to Prime Data, a U.S. market research organistion, world ATE shipments for mixed signal testers will grow in value by 42 per cent to reach $280m in 1988.

FREQUENCY ANALYSIS

Tuning in to radio signals

BY GEOFFREY CHARLISH

ANALYSIS OF the frequency content of signals over the remarkably wide range of 100 Hz to 325GHz, with a high level of computer assistance and display convenience, is offered in a new spectrum analyser from Hewlett Packard, the HP 70000.

Military and other organisations, needing to analyse radio signals, communications satellite operators and radio/radar transmitter manufacturers, are likely users. A typical price, for a system covering 50 kHz to 22 Ghz, the model 71002A, is £34,506.

The system is modular so only those parts needed to suit the application and frequency range need be purchased. The equipment can be enhanced at a later date.

An indication of the way in which these instruments have changed over the years is that over 40 per cent of development costs of the HP 70000 have gone into computerised graphics assistance to the user and into associated data communications.

For example, there is a column of seven "soft" buttons down each side of the display screen with functions that change automatically according to the needs of the job to hand. The softkeys give the operator access to the extensive set of built-in measurement, signal processing and trace manipulation functions. These functions simplify spectrum analysis and also reduce the time needed to make measurements.

The user can also define a personal set of softkey functions by down-loading programs from another computer.

A spot cursor can be moved along the spectrum trace on the screen to allow amplitude and frequency measurements at any point—the numbers change automatically on an alphanumeric display at the side of the screen.

In addition a "windowing" function allows a number of aspects to be viewed simultaneously. For example, a full spectrum of frequency against amplitude can be shown in one, wide window, while a magnified segment can be shown in another and a histogram of frequency content in a third.

The windows also allow data to be shown from other instruments that can be connected, along with the HP 70000, on an IEEE-488 bus, which allows computers and instruments to be interconnected and to "talk" to each other. One of the display modes provides a matrix which shows which elements are active, and all can be controlled from the central HP 70000.

The level of automation is such that HP is able to offer a version with no display that can operate as an ATE (automatic test equipment) in production environments.

Self-diagnostics in the analyser minimise "down time" and following a "flagged" fault, the offending module can be replaced on site. More on 0734 696622.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The Fiatallis marriage—and divorce

Alan Friedman reports on a transatlantic misalliance

THE ANNOUNCEMENT last month that Volvo of Sweden and Clark Equipment of the U.S. are to merge their construction equipment operations means that despite a string of unhappy transatlantic marriages yet another attempt is being made to create an international competitor that can stand up to the two giants in the field, Caterpillar of the U.S. and Komatsu of Japan.

If the record of joint ventures in this sector is anything to go by, Volvo-Clark will need a healthy dose of both corporate chemistry and good luck. The world market for most of the main types of construction equipment, ranging from backhoe loaders to crawler tractors, has fallen by nearly 50 per cent since 1979. This drop is represented by a fall in the number of units sold from 120,000 in 1979 to 68,000 last year.

Meanwhile, last year saw the collapse of IBH Holdings, the West German group which took over General Motors' Terex in 1980. Massey Ferguson of Canada acquired Hanomag of West Germany and eventually sold it to the now-failed IBH. Case of the U.S. in 1977 bought 40 per cent of Poclain, the French hydraulic excavator manufacturer, but Poclain is *finding the competition from* Japan tough and has required a major capital injection.

Perhaps no joint venture in the construction equipment sector has been as ill-starred, however, as the 1974 marriage between Fiat of Italy and Allis-Chalmers of the U.S. After $229.4m of losses since 1977, Fiatallis may finally be headed for break-even in 1984. But the company can no longer be considered a transatlantic link-up. It is now, according to Fiat, 98.22 per cent owned by the Turin-based motor giant, a situation which arises out of misunderstandings, failure to work together effectively and finally a bitter legal action brought by Allis-Chalmers which is shortly to be settled by independent arbitration in Switzerland.

The story of Fiatallis is an unhappy case study of the clash of business cultures, managerial philosophies and objectives. It is true that the incredible crisis which hit the construction equipment sector in the late 1970s and early 1980s was an external factor, but as one of the early Fiatallis chief executives, Jacques Vandamme, points out: "We don't speak the same language."

The principal accusation levelled against Fiat by Allis-Chalmers is that the Italian group used the venture for its own ends. "It was a very rosy marriage at first, but then as the venture went on, different philosophies began to emerge. Fiat came to look at the joint venture as an extension of Fiat and it became apparent to us back in 1979 that Fiatallis had lost its joint venture characteristics. Now we want a divorce and we want alimony," explains Richard Fitzsimmons, corporate vice-president of the Milwaukee-based Allis-Chalmers.

The Fiat line, expressed by Giovanni Germano, Fiatallis' managing director, is a flat denial that Fiat took advantage of the joint venture. Germano *says that the decision in 1973* to pay Allis-Chalmers $55m for a 65 per cent stake in its construction equipment business "was a good idea because Fiatallis has become a group with a full product line and world-wide marketing." Through *Fiat's* eyes the Fiatallis 65-35 joint venture "allowed us to internationalise." There is no justification in Allis-Chalmers' claims, which are for a payment of more than $100m from Fiat, Fiat says, because it had to cover hundreds of millions of dollars of losses and capital injections while its American partner refused to contribute.

The differences between Fiat and *Allis-Chalmers* can be traced to a fundamental misunderstanding about the aims of the venture. Both sides agree that at the outset there was goodwill, and in the words of Marco Pittaluga, a former Fiatallis managing director, "a desire to do something."

The logic of the venture was clear: Fiat made small dozers up to 200 horsepower and Allis-Chalmers was involved in bigger dozers, wheel loaders and scrapers. Fiat had a weak dealer network in the U.S. and Allis had around 60 dealers. In turn, Fiat was strong in Europe and the Third World. The product lines were complementary and the marketing appeared to make sense.

But while Allis-Chalmers saw the venture as a way of winding down its more direct involvement in the earth-moving sector, Fiat feels its American counterpart never took the venture seriously.

The philosophies of the two partners also differed. When the world crisis hit the sector, soon after Fiatellis was formed, Fiat was prepared to ride it out and invest more capital. Allis-Chalmers, on the other *hand, wanted out.*

Allis-Chalmers had its own problems and by 1980 was beginning to think of writing down the $50.2m it had invested in Fiatallis. "We told Fiat in 1979 that we wanted to get out of the venture and we wanted our investment back," recalls Fitzsimmons. He adds that contributing to his company's desire to pull back were the heavy losses at Fiatallis (see table) and differences in business practices.

Meanwhile there were marketing and design problems. According to Pittaluga it was necessary to change engines, launch new models and co-ordinate different accounting practices—all at a time when there were very few customers and sharp competition in the world market. By 1981, when the differences erupted in a bigger disagreement over Fiat's proposed $76.9m capital injection, Fiatallis had already reduced its workforce from an initial 12,208 (in 1974) to 8,480. The number of units sold in 1981 was 9,644 against a level of 11,897 back in 1974.

Allis-Chalmers asked Fiat to buy out its participation. Fiat *declined. Germano explains:* "We didn't buy them out because we had no interest in buying out a minority shareholder. After all, we had control." Fiat instead went ahead with its 1981 capital increase and declared that in its view Allis-Chalmers then had only 12.75 per cent of Fiatallis. The U.S. company contested this and said its stake was closer to 18 per cent.

The joint venture turned well and truly sour in 1982 when Allis-Chalmers, frustrated by Fiat's refusal to buy it out or liquidate, began a court action in Illinois to liquidate Fiatallis and appoint a receiver to share out the company's assets. A Federal judge ruled that the dispute should be sent for arbitration *to Switzerland, which is* where is now remains.

At the same time, with little interest in the U.S. partner's claims, Fiat went ahead with a very sensible rationalisation programme at Faitallis.

In 1983 Fiat transferred grader and wheel loader activities from the Sao Paulo, Brazil, plant to Belo Horizonte. Last year its plant at Lecce, Southern Italy, began a modernisa*tion programme* and Fiatallis production was concentrated at three main factories: Lecce for Europe, Springfield, Illinois, for the U.S. and Belo Horizonte for Latin America. This year three small factories in Northern Italy will be closed and the primary product—backhoe loaders—will be built at a new 50,000 square metre plant near Turin, the hub of the Fiat empire.

Of the 6,359 employees in Fiatallis at year-end, only around 5,300 are actually at work. In the states 620 are being laid off and in Italy a further 400 are also redundant.

At present, Fiat seems satisfied with its investments. Late last December it injected $105m into Fiatallis, which is now for all intents and purposes a Fiat *subsidiary* controlled via a Swiss holding company which in turn owns shares through a Dutch "shell" company.

Last year Fiatallis's turnover was $581.6m and a recovery in the U.S. market provided a L55bn operating group profit. The *U.S. sales were up 50 per* cent in 1984, but the U.S. represents only a fifth of Fiatallis's turnover.

Sales in Brazil, which accounts for a tenth of turnover, were also up, and Fiatallis made a net profit of $3.5m there. Elsewhere the picture remains bleak: Italian sales last year were down by 20 per cent, France down 14.7 per cent, West Germany down 3.2 per cent, the UK down 14.1 per cent, the Middle East down 35.8 per cent, Africa down 28.3 per cent, the Far East down 59 per cent. Interest charges on the $289.9m of Fiatallis's debt (which was reduced only after the December 29, 1984, capital injection) wiped out the U.S. and Brazilian gains to make for a small loss or break-even in 1984.

Fiat is now concentrating on smaller models in the sector, smaler wheel loaders, excavators *and backhoe loaders. The* philosophy is to focus on equipment needed more for maintenance than major new projects.

What all of this suggests is that Fiat, with its traditional professionalism, has streamlined and reorganised Fiatallis so as to position it for a leaner world market. Overheads have been reduced by closing plants and shifting production. Fiatallis *has* made it through the crisis and is still among the top five construction equipment companies in the world.

From a Fiat point of view this all makes good sense. The only problem is that Fiatallis *was designed as* a transatlantic link-up, as a joint venture. And demanding the $50.2m it says it invested until 1981 and interest on this sum, which, according to the Milwaukee company, makes for a total in excess of $100m.

Fitzsimmons, who still sits on the Fiatallis board, contests the Fiat claim that Allas-Chalmers' stake is now only 1.78 per cent. It is around 5 per cent, he says.

In the view of Allis-Chalmers, the arbitration can be settled *quite simply.* "We want a divorce. This is the first international joint venture which has run onto the rocks and has had to go to arbitration. We want a divorce and we want alimony," declares Fitzsimmons.

As far as Turin is concerned, however, there can be no alimony. It already has custody of the child and has paid for its school fees.

A Fiatallis hydraulic excavator (top) and an FR20 wheeled loader

FIATALLIS	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Sales $m	555.6	680.5	556.1	660.0	784.6	815.4	845.9	884.0	703.0	525.8	581.6
Net profit (loss) $m	8.6	22.4	3.1	(6.0)	(2.2)	(47.2)	(49.2)	(17.0)	(61.2)	(46.6)	*
Workforce	12,208	11,457	11,261	11,918	11,396	11,316	10,366	8,480	7,024	6,697	6,359
Units produced	11,649	11,323	8,719	9,133	10,793	9,127	9,799	8,522	6,880	5,150	6,737
Units sold	11,897	10,995	8,956	9,505	9,862	10,053	9,644	9,017	7,718	6,044	6,335
Net indebtedness $m	125.6	138.6	148.9	243	303.8	339.0	369.7	385.2	302.0	289.9	160.8
Net equity $m	247.4	269.8	272.9	266.9	252.0	201.7	152.5	213.7	164.7	97.5	n.a.

* Break-even expected

A profit in Brazil

FIATALLIS'S operation in Brazil is a good example of how the company has made the most of its U.S. connection, both in terms of its product range and its export markets.

It also demonstrates a characteristic of the whole Fiat group: when Fiat decides to hang on in a depressed sector, it is prepared to tolerate heavy losses and to make big investments in order to ensure that its position will be—if anything—stronger when the upturn at last arrives.

If the collapse of the world earth-moving machinery market was dramatic after the second oil shock (falling by 60 or 70 per cent), the crash in Brazil was cataclysmic; a market of 8,000 machines a year in 1978-79 became one of only 2,000 by 1982.

It left Fiatallis's plant in Belo Horizonte grossly underutilised. "We had both to *diversify our sales in a geo*graphical sense and to extend the range of machines we make in our *factory* here," says Paolo Monferino, the company's Italian managing director.

First, production of motor-graders was *shifted* from Deerfield in the U.S. to Belo Horizonte. Then the graders were put on the market not just in Brazil but in the U.S., where the Brazilian company now has 30 per cent of the market *for* fixed graders. "*This was a success that* no one expected," says Monferino. "We followed it up by introducing the more sophisticated articulated graders, which reached the U.S. market in 1984. We can hope to win 10 per cent of that market."

The company also introduced a new model of wheel loader and a new dozer—the FD 9. "The fact that this dozer can be obtained only *from* Brazil further frees us from dependence on the Brazilian market. We now export about half our total *output and three-quarters of* the exports go to the U.S.," says Monferino. The rest go to Argentina, Peru and elsewhere in Latin America.

Fiatallis now reckons it has the biggest range of products of any earth-moving equipment maker in Brazil—14 models, compared with the seven of its nearest rival, Caterpillar, and the five of Clark. Its share of the Brazilian market was, at 26 per cent in 1983, less than Caterpillar's 38 per cent but *the U.S. giant does not export* from Brazil.

The cost of keeping going has been high. "We have been in a state of continual restructuring, constantly reducing the size of our operation and trying to squeeze economies *out of* a production process with high fixed costs," says Monferino.

In response to the 30 per cent devaluation of the Cruzeiro in February 1983, Fiatallis cut dependence on imported components to only 20 per cent by doing more *manufacturing* in its own plants and by giving Brazilian engineering companies the technology to make components for it.

Local sourcing costs 5 to 15 per cent more than importing but saves the obligatory financing costs on imports. Exports enjoy a subsidy equal to up to 7 to 8 per cent.

Even so, Fiatallis reckons it lost $65m between 1980 and 1983—a calculation that is somewhat *approximate*, because of the devaluation of the cruzeiro. "Of this, half went to cover losses and the other half was invested in new products," says Monferino.

Last year *it broke into* profit, earning $3.5m, thanks in part to a 49 per cent jump in the demand from Brazil.

James Buxton

THE ARTS

Architecture

Colin Amery

Long live mock Greek, Ugh!

It can hardly have been a surprise to anyone that Mr Richard Rogers last week became the winner of the Royal Gold Medal for Architecture. He has been a consistent and prodigious proponent of the High-Tech school of design and his fellows in the Royal Institute who put his name before the Queen (lucky for them it wasn't the Prince of Wales) are all keen to see High-Tech canonised.

It would be churlish not to congratulate Mr Rogers on this honour: his career has been energetic and effective although often wrong-headed and somewhat out of date.

I have always felt that the school of architecture represented by Mr Rogers and those architects who sprang out of Archigram and the Architectural Association in the 1950s will be seen by future generations as a brief moment when architects fell in love with the romance of technology. Whenever you fall in love rationality goes out of the window and the High-Tech affair is no exception.

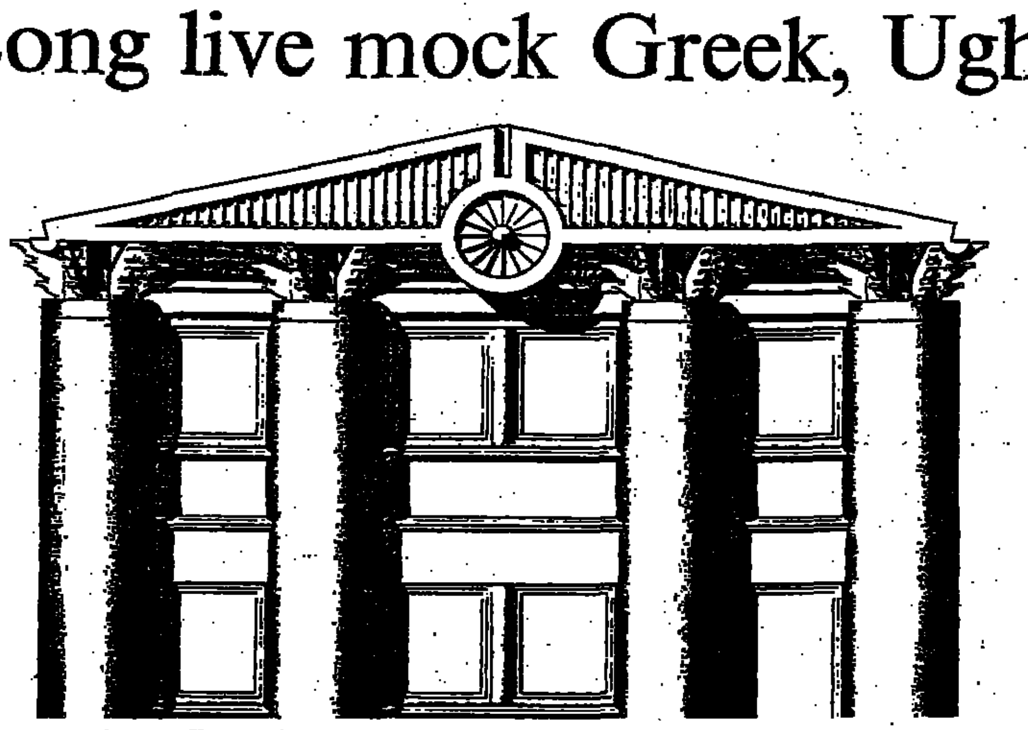
The kind of architecture Mr Rogers has produced—the Pompidou Centre and the nearly complete Lloyd's headquarters are the best known examples—has a kind if brief Star Wars excitement. You are amazed at all the equipment, staggered that you can see all the working parts but left without any frisson of excitement to the imagination or the memory. Dan Dare and the Mekon would enjoy all this built machinery but it offers a specious Utopia with little meaning.

In the late 1950s architectural students and young architects invented an architecture that attempted to bring the production techniques and imagery of space technology to the world of buildings on the ground. I think the resulting style was known as "Bowellism"—an exposure of all the services. High-Tech would be more acceptable if it had really achieved its object of gearing up the building industry to produce components that could be as technologically efficient as aircraft parts and at the same time cost effective.

This has never happened. High-Tech is not cheap and the individual parts of buildings are usually expensive one-off elements. Lloyd's of London is estimated now at more than £150m and Norman Foster's Hongkong and Shanghai Bank has passed the billion dollar mark. They use the vocabulary of mass production but are in fact expensively made to measure.

At the same time Richard Rogers was at the Architectural Association another distinguished architect was also a student there. He has been less honoured and is less well known but his work and his thinking are or equal interest. John Outram muses more seriously than the brash High-Tech gang about the meaning of architecture and its role in the world. He has been highly critical of the intellectual vacuity of the technological dream merchants and his work is now beginning to demonstrate some of his more substantial ideas.

Architecture for Mr Outram is a language. Like all languages it has roots in the ancient culture of man. Language depends in its poetic use on memory and association and so does architecture. It is the representative functions of architecture that raise it to an art and these relate to the entire way we see the world. The world is much more than the giant nuts and bolts of high technology.



Classically triumphant new offices for Harp Heating at Swanley, Kent

It is a brave architect who deals with these problems in his work and at the same time produces a workable and efficient environment. I have just seen the almost complete, latest work of John Outram—an office building for the Harp Heating Company at Swanley in Kent, a brilliant transformation of the old technology into the "new" world of meaning.

This act of transfiguration is what used to be called a conversion but, of course, it is much more than that. Some modern 1961 flat-roofed, steel-frame offices were the subject of the attention of Mr Outram who has turned them into temples of the new architecture. After a fair amount of stripping-out of the existing buildings, the old steel frame and flat roof have been enrobed in brick, the windows divided by large brick columns with capitals suggesting a crown of flames (this is a company selling heating systems). On the old flat roof a shallow-pitched cobalt blue corrugated roof has arisen which forms a pediment at the gable ends.

This is not a crypto-classical creation; it is an important and successful attempt to integrate both the mechanical and the poetic elements of a design. Certainly it prompts in the memory images of the great classical Greek temples. It is a colourful conception, the capitals are edged with red and backed by blue — not unlike authentic brightly coloured Greek sculpture.

The brickwork is banded in colours to suggest the base as a solid rock and the yellow London stock brick takes on the qualities of stone.

These simple, strong new classical buildings at Swanley are the forerunners of a release of creativity that will in time develop a language of decoration and symbolism that is potent with appropriate meaning and memory. Think of the acres of dreary "modern" architecture that could be intelligently enlivened in this way. I am not saying Mr Outram has found the panacea to our architectural illness but his approach is as valid and closer to our intellect than the gyrations of an abstract technology.

But both approaches are symptomatic of the confusion that exists in architecture and the public perception of the art. We may well as in future years why Lloyds chose the imagery of the oil rig for their London headquarters, and why an office for a heating company should suggest the eternal values of our Hellenic culture? I would like to see Mr Outram build in the city—or start on the renewal of the ghastly heritage of the 1950s. His ideas are poetic and depend on an understanding of myth and metaphor, but they are also practical, inexpensive and they work—at all levels.

Anna Karenina/Coliseum

Max Loppert

Having given the première of Iain Hamilton's sixth opera, to much acclaim, in 1981, the English National Opera brought it back for a first revival last Friday.

There are three newcomers to the cast, two of them alumni of the subsequent Los Angeles *Anna Karenina*, both making here their British debuts: the impressive conductor, Chris Nance, and, in the baritone role of Karenin, Roger Roloff, a singer of handsomely firm, solid delivery and an actor of subtle and purposive understatement. One of the virtues of Hamilton's Tolstoy adaptation is that, despite inevitable compression, the husband's difficult role is not reduced to that of cipher or stock villain; Mr Roloff makes capital of its many suggestive properties. David Hillman is the new Vronsky; as Winton Dean has written, the character "is in danger of deteriorating into an anonymous tenor lover," but Mr Hillman's very vivid end personable stage address holds it at bay for some while, even despite passing inhibitions in his upper register.

Otherwise the cast is the original one, and Colin Graham's production in Ralph Koltai's sets (now in the care of David Ritch) are worked with all the masterly fluidity of action and evocative richness of detail for which they were first admired. I had not seen the opera before; and, considering that it obviously lies so much above the usual run of sterile or well-meant but ill-managed 20th century operatic adaptations—for this is a work made with care and awareness of operatic potentialities too often scamped or disdained in recent times—I was somewhat at a loss to explain my tepid response to the whole thing.

One reason might be the pressing sense of familiarity that the score carries for even the first-time listener. The sources of inspiration in Strauss, Chaikovsky, Prokofiev, and Ravel (the tribute paid to *La Valse* in the ballroom scene is almost too fulsome for comfort) may be apt and worthy, but, in the absence of a really distinct, clinching composer's personality to draw on them, the effect of their invocation is too often that of shrewd calculation. The vocal lines make a generalised impression of lyricims; nothing really sings out on its own account. I don't at all quarrel with the fact that *Anna Karenina* is self-evidently no new, innovatory masterpiece—there is plenty of room for skilled, well contrived works of its kind. I mind rather more that it doesn't quite fulfil promises explicitly offered quite early on.

Another cause for disappointment is that the ideal of "romantic opera," fairly and intelligently pursued by Hamilton, demands from a cast not just the agile and sympathetic impersonations in which the ENO staging is so strong—the sense of their "felt life" extending even to the smallest (and making of Janis Kelly's Kitty, Malcolm Rivers' Yashvin, and Ava June's Countess Vronsky three notably sharp sketches in a small space)—but a boldly romantic style of singing, above all in the leading couple, that proves here more difficult to answer. Though Lois McDonall's heroine is a most distinguished characterisation, genuinely moving in the opera's final stages, the want of "juice" in her singing exposes the synthetic nature of the opera's big set-pieces rather more openly than a fresher-voiced Anna might have done. The most complete performance comes from Della Jones, a Dolly rounded and finished in every facet of gesture and vocal movement. As a sample of ensemble opera not far from this company's famous best, *Anna Karenina* is worth a visit.

My Brother's Keeper/Greenwich

Michael Coveney

An old actor, once a notable Lear in Leicester, lies half paralyzed from a stroke on a hospital bed. Nigel Williams's new play then brings on his wife and two grown up sons and locks them all in a recriminatory family drama which transforms a common medical situation into a heart-searching therapy session.

You do wonder if a senior doctor might not drop by to save the old boy from all the racket but, as in *Class Enemy*, Mr Williams's content is strong enough to stave off doubts about general plausibility.

In addition to the family, there is a young Irish doctor (Terry O'Callaghan) who is less concerned with the fading actor than with the entirely comatose Mr Pittorini (John Biggerstaff) who groans and sighs from time to time but is otherwise thoroughly inert. One hopes Mr Biggerstaff is not prone to giggling, or he might become known as the corpse who corpsed.

In some ways the piece echoes *Whose Life Is It Anyway?* and the more acidic son, Tony the radical playwright, has a swipe at the euthanasia and disability play genre (the National Theatre of the Paralyzed Down One Side is about to do "Quarter a Sixpence" — Sir Peter Hall himself might even manage a wry grin). Tony, played with a hectic, gnawing doggedness by John McEnery, is at once trying to bring the family together while reminding them of their cruelty towards him. His wife was not approved by them and neither his mother nor his brother attended the funeral of his young girl.

This is all a bit gruesome, and the flagellatory quality of the evening extends to Tony's attack on brother Sam's work as an executive dealing in ball-bearings, his general demeanour, and his sexual promiscuity. John Price takes this on the chin before having to manufacture his own outburst. Meanwhile mother (Doreen Andrew) refuses to rise to Tony's accusation of not have slept with her husband for 20 years.

The best comic irony is that old Mr Stone, the actor renowned for a single gesture, can now manage nothing but same, and Reginald Marsh combines this remnant of heroic movement with a fractured, fruity delivery emanating from a face and body that have long given up the ghost. A fine performance, and Alan Dossor's production is organised dutifully around it.

London Sinfonietta/St. John's

Andrew Clements

The third programme of the London Sinfonietta's series at St John's under the umbrella of "1955 and all that" brought two Sinfonietta commissions, a British first performance, and a recent work by Takemitsu. His *Rain Spell* belongs with his other pieces inspired by rain, including *Rain Tree* and *Rain Coming*, both of which have been heard previously in London. It is as exquisitely written and inconsequential as those; gentle lapping sounds for a flat-tuned harp, piano and wind instruments, never creating any genuine tension nor any sense of coherent shape.

Certainly all three new works made greater demands on the audience's attention. Sven-David Sandström appears to belong with composers such as Ferneyhough and Finnissy to what could be called the "neo-transcendental" school, in which music is calculated to the limit and beyond of any performer's ability. Sandström's Flute Concerto was first performed in Stockholm by the Sinfonietta in 1981; it sets the soloist formidable problems of endurance as much as of sheer technique, but to relatively little effect: its 18 minutes pass all too slowly, filled only by the ebb and flow of flurries of seemingly approximate notes and some highly optimistic instrumental writing. Sebastian Bell was the valiant soloist; one hopes he thought oll his efforts worthwhile.

There is a good deal more substance in Hans Abrahamsen's *Märchenbilder*, and the piece ends with some extremely accomplished, genuinely fast music. The programme note left one confused about the structure: it mentioned six sections divided into three movements, but with the best will in the world it was hard to distinguish more than one division. Nevertheless, the tiny fairy-tale sketches implied by the title create some skilful textures as well as some robust, rough-edged instrumental gestures which it will be good to hear again.

Nigel Osborne's *Zanza*, also a Sinfonietta commission, was in some respects a more familiar quantity, a hard-driven virtuoso study for the Sinfonietta players that belongs to a family of works that includes the vocal *Choralis I, II and III*. The title comes from the name of an African finger piano which is played in the slow central section of the work; Osborne's note refers to influences from a host of musical cultures. I don't hear anything new for the composer in it, however; perhaps it is unreasonable to expect an advance in every piece. Superb performances of all works, of couse, incisively conducted by Elgar Howarth.

Huw Spratling/Wigmore Hall

Dominic Gill

There was nothing mysterious, but something only a shade ominously familiar, to Huw Spratling's claim (or the claim perhaps made on his behalf) in our programme note on Friday evening that "contemporary classical music, unfortunately, frequently tends to deter or alienate potential audiences. The work of the 35-year-old British composer Huw Spratling meets this situation.

The concert was not only the first all-Spratling concert I had ever attended, but also my introduction to any part of the Spratling oeuvre; and since it is bound to be the first question on every reader's lips, I should answer straight away, without fear or favour, by declaring that irrespective of the situation it meets, Spratling's music is likely to endear itself to the musical public somewhat less than the music (for example) of Stockhausen, Boulez, Berio, Tippett, Ligeti, Birtwhistle or Carter.

The reason for that is not mysterious either: for Mr Spratling turns out to be nothing more nor less, irrespective of the aesthetic he espouses, than a rather dull composer. He writes sometimes passable but hardly original songs in the egregious tonal English idiom which characterised the 40 years either side of the turn of the century—Holbrooke, Parry, Cyril Scott, Moeran, Warlock, Bantock, Wallace are only a few of the names which are somewhat indecisively conjured (for Mr Spratling's best, on the evidence of his programme, is less memorable than theirs).

He also writes stubborn, angular, thickly-scored and rambling instrumental music, replete with echoes of John Ireland, Debussy, Messiaen. We heard one of Spratling's *Three Pieces* for piano (very well played by a young pianist new to me, Iain Burnside), which was such a mish-mash of note-spinning and a half-finished working that no name but his own could possibly be linked to it. And there was a septet called *Dunwich*, scored for the same forces as Ravel's *Introduction and Allegro*, of which much indeed sounded like ghostly and amateurish parody.

Alexeyev/Festival Hall

Dominic Gill

At the heart of last night's Royal Philharmonic Orchestra concert under Yuri Temirkanov was a remarkable performance of Grieg's piano concerto by the Soviet pianist Dmitri Alexeyev. Remarkable for its command and force, and above all for its originality: one did not necessarily need to agree with Alexeyev's reading, or even like every page of it, to find it irresistable.

The first movement opened with a thunderclap, and proceeded at electrifying high-voltage charge: there was a crackle of sparks in every measure of the *molto moderato* (but a liquid glitter too, to soften and absorb the electric punch). The slow movement was brighter and higher flying than I can remember ever hearing it—a high arc of sunlight, shot through with currents of the most delicate tenderness. The finale was fast and manic: huge risks were taken, and almost every one paid off in full. It left us breathless (perhaps more breathless than any Grieg concerto should) — but its authority was not to be denied. Framed by Saint-Saens's *Danse* Falla's *Three Cornered Hat*, the other main work of the programme was Stravinsky's last *Firebird* suite of 1945 — good, solidly made, and a showcase for many fine RPD solos. But my head was still buzzing from the force of the Grieg, which not even a splendidly diabolical Infernal Dance could ever quite match.

Deathwatch/Birmingham Rep

Martin Hoyle

Not content with opening a new play in Greenwich, Nigel Williams launched a new translation of Jean Genet's claustrophobic prison quarter last night. Foco Novo, a company noted for its commitment to writer's theatre, has unveiled his translation in Birmingham Repertory's studio theatre.

A vast improvement in fluency, this English version sacrifices conciseness to colloquialism. Eager for us to get the point, Mr Williams adds an over-explanatory couple of sentences every so often. More problematic is his pin-pointing of place and time. To set the action in a British prison here automatically implies a specific period, since the charismatic central figure owes his glamour to the death penalty hanging over him.

The murderous Greeneyes becomes Eyetie, an Italian cockney, convincingly tough and articulate in Vincenzo Ricotta's compactly aggressive performance. His teenage admirer is a pawky Scot, wee Jimmy Chisholm, snarp-tongued, a neat physical clown; the odd man out is a northerner, Sean Bean) whose praise for the prison hard man, the black Snowy, might be the admiring assessment of a new centre-forward.

Indeedd, the Williams version robs the hothouse piece of its halucinatory peotry. Genet wanted it to be dream-like: here it resembles an episode of *Porridge*. The production is at perverse pains to play down the homo-erotic element. The boy's repeated mannerism of tossing back his head here becomes a consciously mocking anti-queer gesture. The jockeyings for status and emotional favours are as homo-erotic as the cantankerous post mortem of a defeated darts team. A great deal less, for all I know.

Genet's obsession with embracing degradation, willing ones own sufferings, and his distorted concept of grace eluding those who seek it wihle clinging to the undeserving, is smothered by the chirpy proletarian types that recall old British films about the lower decks.

Roland Ree's taut, well-paced production evokes flawless playing from a cast with no weak link, down to Gary Lilburn's omnipresent warder, pacing the gallery of Andrea Montag's skeletal set—as simple, but as complex in its suggestions, as Genet required.

Mahler festival for London

An ambitious festival devoted to the music of Mahler, his contemporaries and successors, will be held at the Barbican between March and October. It is the brainchild of Claudio Abbado, music director of the London Symphony Orchestra, which will perform in most of the concerts.

All the Mahler symphonies and song cycles will be played, plus works by Schoenberg, Webern and Berg and later composers such as Ligeti, Boulez, Berio and Britten. The Royal Opera House will present two operas by Zemlinsky in October and there will be a documentary exhibition on Mahler at the Barbican. The festival still requires sponsors for the autumn series of concerts.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 8–14

Music

ITALY

Rome: Teatro Ghione (via Della Fornaci 37): A recital by Marilyn Schmiege (mezzosoprano) accompanied by Donald Sulzen with music by Mendelssohn, Schumann, Wolf and Strauss (Mon). (637 2294).

Rome: Auditorium of via Della Conciliazione: Giuseppe Sinopoli conducts a concert by the pianist Martha Argerich and the oboist Augusto Loppi. Mozart, Beethoven and Schubert. (Mon and Tue). (65.41.044).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano): 'Tafelmusik' – The Salonisti di Berne – with a programme of music from the 16th to the 19th centuries: songs, Italian, French and German baroque sonatas and 17th century chamber music (Wed). (39.33.04).

NETHERLANDS

Amsterdam, Concertgebouw: Concertgebouw Orchestra under Kurt Sanderling. Haydn, Bruckner (Wed, repeated Thur). Recital Hall: The Glinka Quartet. Webern, Schumann, Beethoven (Mon); Thomas Hemsley, baritone, accompanied by Rudolf Jansen. Schubert's Winterreise (Tue); Ernest Rombout, oboe; Alwin Bär, piano; with the Boccherini Trio. Andriessen, Lutoslavsky, Britten, Schumann, Mozart, Milhaud (Thur). (718345).

Utrecht, Muziekcentrum Vredenburg. Alicia de Larrocha, piano. Grieg, Espla, Schubert (Tue); Paco Pena's Flamenco Company (Wed); Frans Brüggen conducting the Orchestra of the Royal Conservatory. Rameau, Haydn, Mozart (Thur). Recital Hall: Mark Lubotsky, violin; Danièle Dechenne, piano. Schnittke, Shostakovich, Prokofiev (Tue); Lutenist Christopher Wilson plays works by John Dowland (Wed). (314 544).

Rotterdam, De Doelen. Rotterdam Philharmonic conducted by James Conlon, with Ken Noda, Piano. Weber, Mozart, Dvorak (Tue, repeated Thur). Recital Hall: Anner Bijlsma, cello. Bach (Mon); Mitsuko Uchida, piano. Mozart (Wed). (142 911).

The Hague, Diligentia. Members of the Hague Philharmonic play Chamber Music by Farina, Bach, Stravinsky, Wolf-Ferrari, Mouravief, Malipiero (Wed). (464 306).

The Hague, Congresgebouw. Arditti Quartet. Xenakis, Ligeti, Schönberg (Thur). (54 80 00).

VIENNA

Piano evening. Anthony de Bedts. Beethoven, Liszt and Bartok. Bosendorfer Saal (Mon).

Christian Altenburger, violin, and Helmut Deutsch, piano. Beethoven, Ives, Weber and Richard Strauss. Musikverein (Tue) (65 81 96).

Vienna Symphony Orchestra conducted by Yevgenij Swetlanow. Brahms, and Tchaikovsky. Musikverein (Wed and Thur).

LONDON

Bach Choir and English Chamber Orchestra conducted by Sir David Willcocks, with Patrizia Kwella, soprano. Händel Judas Maccabeus. Royal Festival Hall (Mon). (928 3191).

Borodin String Quartet: Borodin, Stravinsky and Beethoven. Queen Elizabeth Hall (Mon). (928 3191).

Kathleen Livingstone, soprano with Neil Mackie, tenor, and John Blakely, piano. Purcell Room (Mon). (928 3191).

London Philharmonic Orchestra conducted by Klaus Tennstedt. Mozart and Mahler. Royal Festival Hall (Tue).

Dmitri Alexeev, piano. Brahms, Schubert and Schumann. Queen Elizabeth Hall (Tue).

London Mozart Players conducted by Jane Glover, with Peter Katin and Martin Humphries, pianos; Mayumi Fujikawa and Nobuko Imai, violins. Mozart. Royal Festival Hall (Wed).

PARIS

Ensemble Intercontemporain conducted by Kent Nagano with the Groupe Vocal de France: Schönberg, Knussen, Janacek, Bartok (Mon). Théâtre du Rond Point (256 7080).

Ensemble Orchestral de Paris conducted by Claude Bardon, Durey, Auric, Milhaud, Honegger (Mon). Salle Gaveau (563 2030).

Christa Ludwig recital, Erik Werba, piano (Mon). Théâtre de l'Athenée (742 6727).

Daniel Barenboim, piano recital: Beethoven sonatas (Tue). Salle Pleyel (561 0630).

Marie-Catherine Girod, piano: D'Indy, Falla, Albeniz. (Tue). Salle Gaveau (563 2030)

Orchestre de Paris conducted by Claude Bardon, Ivo Pogorelich, piano: Berlioz, Dufoury, Tchaikovsky (Wed, Thur). Salle Pleyel (561 0630).

Duo ari et Raffi Petrossian, pianos: Tailleferre, Fenelon, Arensky (6.30 pm Thur). Radio France, Auditorium 106 (524 1516).

TOKYO

Lynn Harrell, (cello), piano: Brooks Smith. Ginastera, Beethoven, Schubert, Falla. Tokyo Bunka Kaikan Small Hall. (Mon). (571 1689).

Takeda Quartet: Rossini, Kondo, Vivaldi, Arrieu, Uhl, Ishibashi Memorial Hall (Tues) (587 0218).

NHK Symphony Orchestra, conducted by Otmar Suitner, Mozart, Mahler. (Wed, Thurs). NHK Hall. (465 1780).

NEW YORK

New York Philharmonic (Avery Fisher): Kurt Masur conducting. Claudio Arrau, piano. Bartok, Beethoven, Schumann (Wed, Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Erich Leinsdorf conducting Bach, Bruckner (Tue); Erich Leinsdorf conducting, Irene Gubrud soprano, Katherine Ciesinski, mezzosoprano; John Aler, tenor; Gerald Grahame, tenor. Choral Society of Washington, directed by Norman Scribner. Ruggles, Berg, Schubert (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Claudio Abbado conducting, Carter Brey, cello. Mozart, Schumann, Tchaikovsky (Thur). (435 6122).

The Lonely Road/Old Vic

Michael Coveney

Schnitzler is nowadays regarded as a sexually *au courant* playwright of the Viennese *fin de siècle*, a chronicler of an era evoked in such topographically pungent, sexually outspoken play cycles as *Anatol* and *La Ronde*. It comes as something of a shock therefore to encounter this static, clinical play about old relationships and old age which, despite all the attempts of director Christopher Fettes to prove otherwise, remains too much of its period, and too slight a concoction, to survive badly articulated and pretentiously fancy treatment.

From where I sat, the sight-lines were bad and the words largely inaudible and I am neither particularly blind nor remotely deaf. It was, quite simply, difficult to know what exactly was going on.

An elderly artist Julian (Anthony Hopkins) has a son Felix by a married woman who is dead after the first scene. A dried-up playwright (Alan Dobie) and a former amour (Samantha Eggar) impinge on Julian's decrepit reminiscences, while Julian himself attempts to establish contact with Felix through a mist of guilt, deception and misunderstanding.

A creative sensitivity to these interesting Austrian plays is required. The Glasgow Citizens have honoured Kraus's *Last Days of Mankind* in recent years and, more pertinently, The Royal Exchange at least hinted at the peculiar shimmering magic of Hofmannstahl's *The Deep Man* six years ago.

In this instance, Mr Fettes and his designer Maria Bjornson take the considerable risk of flattening the viennese sweet and sour first of all in a cumbersome translation credited to the director and Ronald Adam ("Fond of me as she was, she had never spoken to me like that before" is typical of its archaic, orotund tendencies); and secondly in a medical setting of white screens, institutional piping, lamps and tiles.

This is no doubt in order to give an objective, alienatory effect to what is in fact a rambling, sentimental exercise in emotional reminiscence. When Messrs Dobie and Hopkins embark on their melodic duets, the evening comes to life, and it nearly catches fire when Mr Hopkins, transfixed by memories and hauntingly still, hands to his son pictures of the woman he loved.

It is indeed a great pleasure to see Mr Hopkins back on the stage he graced 20 years ago; and the unsatisfyingly short appearance of Samantha Eggar is one of distinction, beauty and much flair. Her flashing eyes and flame-haired dignity transcend the production's interpretative coolness to join hands with the period. Good work, too, from Rupert Frazer, Basil Hoskins (as the cuckolded best friend of Julian) and Ann Lynn. But all the actors, none more so than Colin Firth as Felix, have trouble with the acoustic and, in a house where such problems rarely arise, I can only blame the design, or the technical surround.

Paul Pyant's lighting offers an electric storm light show in which the drowned daughter (Christina Nagy) is transfigured and the medical case-book feel of the evening is reinforced both by that effect and the constant supervision of the seated doctor and the busyness of men and women in white coats. Some commentators have considered this play (*Die einsame Weg*, 1904) to be a classic study of loneliness. But on this outing and deprived of its true setting and atmosphere, it is hard to think of it as anything but a piece of inconsequential impenetrability.

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Monday February 11 1985

Communists in the wilderness

THE FRENCH Communist Party leadership completed its retreat to the outer edges of the national political stage during the party congress concluded yesterday. M Georges Marchais, a man who has never summoned the strength to break with Moscow, remains secretary-general for the next three years. The "renovators" who wanted the party to become more flexible, have been subjected to the disciplines of "democratic centralism," communist jargon for having to shut up after being defeated behind the scenes. The fact that one "renovator," M Pierre Juquin, did not shut up does him credit, but does not change the general pattern.

M Merchais' party — for that is what it is — has completed a policy change that became apparent when it pulled out of the coalition government with the Socialists last July. The unity of the Left precariously established in opposition during the 1970s has failed to survive the stresses imposed by being in power.

The Communist Party could not stomach the switch of government policy from nationalisation and the attempt to encourage growth at all costs to an anti-inflationary line and a recognition of the need for corporate profitability. At the same time the party saw its popularity wane. Having once commanded the loyalty of almost a quarter of the French electorate, the Communist Party fell off to 11 per cent of the votes cast in the European elections last summer.

Malignant

The Socialist Party and its leader, President Mitterrand, have also declined in popular favour. But the Communist Party has been suffering from a more malignant disease. Its association in the public mind with Moscow, its failure to exert any appeal on the new middle classes, and the erosion of its traditional power base have sent the party into a historic decline. The heavy industries where the Communists used to find natural supporters are contracting and giving employment to ever fewer people. The motor industry, once another abundant source of party members, is increasingly manned by immigrants who do not have a vote.

M Marchais' critics within the party saw the danger and tried to meet it by taking the party down the road followed by the Communists in Italy. Though power at national level has eluded the Italian party, it did manage to do better than the Christian Democrats in the European elections by pursuing its Eurocommunist course.

Almost 20 years ago, at the time of the Soviet invasion of Czechoslovakia in 1968, the Italian Communists terminated their loyalty to Moscow. Subsequently they declared their readiness to play the political game according to democratic and pluralist rules. Not having been in power they have not really had the opportunity to demonstrate that their change of heart has been real. But a large part of political Italy has believed them.

Such is the strategy that M Marchais has refused to adopt. Instead he hus clung to ideological purity and steered his party into isolation from the rest of the Left. The party is in danger of ceasing to be a national institution, becoming confined to class and regional strongholds. Since it is no longer interested in joining coalitions, it has, by implication, surrendered any claim to be represented in the national Government. Under existing circumstances, it cannot hope to be returned to power on its own.

The implications for France and for President Mitterrand are troublesome, but not as troublesome as might have been supposed. In politics, the Communist Party has little more than nuisance value. If present opinion polls are anything to go by, the Left will lose next year's parliamentary elections regardless of whether it is united or disunited. President Mitterrand is firmly committed to the cause of industrial rejuvenation and is unlikely to depart from that line in order to woo the Communists.

Graver challenges to this policy could come from the CGT, the Communist trade union federation. It has obstructed the reorganisation required to bring the state-owned Renault motor concern back into profit

But the CGT is only one of three important labour federations: the others have agreed tot he pact. CGT power, therefore, is limited. In any case, the CGT has often been more moderate than its sister party. Neither Communist Party nor Communist union power need divert President Mitterrand from his chosen course.

Rushing to judgment

FIVE WEEKS from tomorrow, Mr Nigel Lawson will rise to present his second Budget; if he is now wishing that he had given himself a little more time, he wil not be the first Chancellor with cause to do so. External crises, such as the development of the oil market, and the possibility that the miners' strike will still be dragging on, cannot be fitted into an advance timetable; but with so much inevitable uncertainty to contend with, it does seem gratuitous to select again a date on which the fiscal out-turn for the current year will be a matter for much guesswork. If you cannot see into the future, it would at least be comforting to know a little more about the recent past.

With so much doubt surrounding what used to be known as the Budget Judgment (that was in the days when Chancellors supposed that they were running the economy rather than the finances of the public sector) it seems certain that Mr Lawson will be uncharacteristically cautious in his fiscal stance on March 19. We would not be inclined to quarrel with this outcome in terms of demand management: the current growth of retail sales and consumer credit, and the signs at last of a strong revival in exports, suggest that high wage settlements and the depreciation of sterling are alreadp providing an adequate stimulus. There is some comfort in a favourable outcome, even if it comes from the wrong causes. What is more worrying is the suspicion that Mr Lawson will offer the right response, but for the wrong reasons.

It should be admitted at this point that any Treasury economist reading this will probably already have concluded that we are the ones who are guilty of giving the wrong reasons, even in supporting their likely policy. The Treasury model, in its present state, attaches such high importance to the level of interest rates that a decline in sterling accompanied, as it has been, with a rise in rates, is seen as a drag rather than a stimulus to the economy. We believe that weakness in sterling provides, on balance, a stimulus.

Given the Treasury's own attitude, *it is all the more puzzling* then, that the Chancellor should cite the defence of sterling as one possible reason for tightening his Budget (though he has reserved the right to change his mind on this). It is monetary policy which has had to be tightened to protect sterling; a somewhat more expansive fiscal policy would support this action — just as fiscal tightening supported the efforts in 1981 to get interest rates and sterling down. The need to sustain market confidence suggests that any move should be cautious, but not that it should be in the wrong direction.

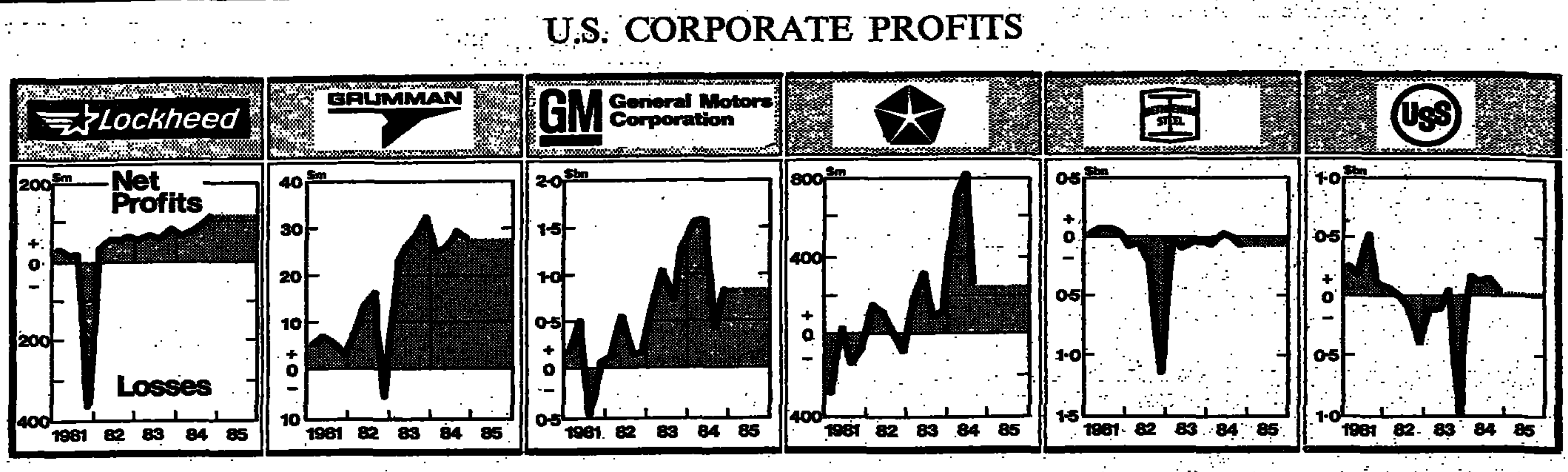
Mr Lawson no doubt had the markets in mind when he told the House of Commons two weeks ago that he would start framing his Budget from the bottom line, the public sector borrowing requirement; but it is this statement which has given us the greatest misgivings for the long term. Mr Lawson will no doubt seek to make a virtue of necessity in his budget by concentrating on micro-reforms of the tax system, and changes likely to encourage employment, which will be welcome in themselves; but it is surely also time, after six years of often painful experience, to embark on a reform of the central objective, the Medium Term Financial Strategy.

Past failures

The PSBR has crept into its present central position only because of past failures in monetary control; the Government likes to hit a target from time to time. However, it is not only an intermediate target — one element in monetary control— but a very odd number in itself, which gives debits for productive investment and credits for running down assets, and which suggests tightening fiscal policy in a recession and relaxing it in a boom.

Running an economy like this is like running a company purely on the basis of cash flow, with no information on profit and loss, no idea of market conditions, and no balance sheet. Mr Lawson, a veteran financial analyst, can well understand this, and past speeches have suggested that he does. We will not be encouraged to see even a sensible Budget based *on such nonsense.*

U.S. CORPORATE PROFITS



1985: it looks like growth again

By Our New York Staff

"A GREAT industrial giant is reborn," a triumphant President Reagan told the nation last week. "We stand on the threshold of a great ability to produce more, do more, be more. Our economy is not getting older and weaker, it's getting younger and stronger."

President Reagan's sweep across the U.S. corporate canvas covered several ugly blotches.

But there can be no denying the record as the U.S. powers its way into the third year of economic recovery. *Despite the* restraints imposed by the exceptional strength of the dollar, soaring imports and the low level of price increase, most corporations managed to post double-digit earnings gains last year.

Aggregate corporate profits, according to preliminary Commerce Department figures, increased by 14.4 per cent—down from the abnormally strong 22 per cent of 1983, but still unusually robust for the second year of a recovery.

Indeed, the Commerce Department statistics show an even brighter picture when adjusted to take account of the radical switch from the under-depreciation typical of the 1970s to the over-depreciation that has become possible after the 1982 tax reform. On this basis, net profits virtually doubled last year from their 1980 low point, reaching $196bn against the more conservative historic cost figure of $146bn.

Fuelling the earnings advance U.S. gross national product rose by 6.8 per cent last year, its strongest annual increase in 34 years. No-one expects the economy to continue expanding at this spanking pace in 1985. But many businessmen now seem to believe that growth could, with luck, be settling down to a steady, sustainable pace.

"We are assuming a healthy, but slower, rate of U.S. economic growth in 1985 than in 1984," said Mr Jack Welch, chairman of General Electric.

If Mr Welch had been speaking for the whole of corporate America, instead of the manufacturing sector alone, he might *have mentioned one other factor* which is making an enormous impact on company performance—the deregulation from administrative price controls of a big slice of the service sector, including transport, telecommunications, and the financial sector.

These three factors together —the dollar, imports and deregulation — have combined during the recovery to create a very different environment from that which U.S. companies have been used to for at least the past 15 years.

The exaggerated jump in corporate profits in 1983 and the first half of last year looked like a fairly typical cyclical bounce back into recovery, accentuated by the depth of the recession. The cost-cutting of 1981-82 went much deeper than usual, with the result that profit margins exploded when volume flooded back. Indeed, Mr Stephen Roach, senior economist at Morgan Stanley, says that in the first seven quarters of the current expansion, profits rose twice as fast as in the previous five recoveries.

In the final half of last year, however, the profits boom petered out. Analysts, who had generally shot for a 20 per cent increase for the year, had to settle for 5 percentage points less. The reason for this shortfall was mainly inflation—or the lack of it. Wall Street profits revisions in the past few months have bewailed the fact that prices have not been rising enough.

This change in the pricing environment, hidden to some extent in the first year of recovery, has accentuated the differences between those parts of the economy that have been doing well and those that have been doing badly. Whereas companies might have been able to push through an inflationary price increase at this stage a few years ago, it has now become much more difficult—indeed, the paper companies had to retire in some confusion after trying such a tactic.

Given the sudden change in the kind of external pressures being imposed on the economy, performance has been largely determined by the kind of industry a company is in, and the *quality of individual corporate* management.

There have, for example, been some relatively sheltered sectors which have bounded along in a predictably profitable manner. The defence industry, fed by the steadily increasing stream *of cash flowing out of* Washington, has been making money hand over fist.

Lockheed, which failed to pay a dividend throughout the 1970s as it struggled with its commercial aircraft business, has been covered in plaudits in the last two years over its decision to concentrate almost exclusively on military ventures. Last year, its profits jumped by 31 per cent to $334m, it resumed dividend payments, and its return on equity reached 30 per cent.

The Big Three car manufacturers, which are contributing a whacking $10bn or so — or around 7 per cent — to total U.S. corporate profits, have also reaped an inestimable benefit from *the shelter provided* by the "voluntary" restrictions on Japanese car imports.

A different kind of strength has been exhibited by the major players in the technology sector — the industries which Mr Reagan likes to picture as "getting younger and stronger." Typically of a rapidly changing industry, there have been some spectacular failures, most notably storage technology, but the underlying strength of the U.S. high tech companies was amply demonstrated by IBM's sparkling performance.

It has become more difficult for companies to push through inflationary price increases

Last year, in spite of the adverse effect of the dollar on overseas sales, IBM's net earnings increased by 20 per cent to $6.58bn, maintaining the U.S. computer giant's rank as the most profitable company in the U.S. Even IBM's trailing "bunch" competitors have benefited from soaring capital expenditure, which has been closely focused on office automation

In contrast to these healthy sectors, various areas of U.S. *industry have been uncomfortably* exposed to the blast of competition — the "new challenges" and "greater freedom" which Mr Reagan espoused in his State of the Union address.

For struggling smokestack America, the unprecedented *surge in the U.S. currency* — up 12 per cent on a trade-weighted basis in 1984 — was a body blow for some proud old companies which are still struggling to recover from the recession.

The dollar's strength, combined with the record trade deficit last year of $123.3bn, almost double 1983's record of $69.4bn, cut a broad swathe across a wide variety of U.S. industry, including textiles, chemicals, forest products, machine tools and steel.

The steel industry was in the front line of the older traditional industries trying to come to terms with the dollar's abnormal rise, which sucked in a record volume of steel last year—some 26 per cent of the market.

Mr David Roderick, chairman of U.S. Steel, lambasted the "unprecedented assault" on the U.S. market. Bethlehem Steel, the third largest U.S. steel maker, which has lost $1.7bn in the last three years, slashed its dividend earlier this month for the third time running, pinning the blame firmly on the flood of imports and "very depressed steel prices."

In the textile industry, the tale is even worse, with thousands of jobs being lost. Mr Edward Jefferson, chairman of Du Pont, noted that "imports of textiles and apparel increased by about 35 per cent over the 1983 level."

Between these extreme examples of growth and stagnation, there have been many sectors where the new era of competitiveness unleashed in the U.S. has put a premium on sound management.

Nowhere has the challenge posed by disinflation been more in evidence than in the oil patch, where a combination of deregulation of domestic energy prices and falling crude prices has set the stage for a major restructuring of what until recently was one of America's most prosperous industries.

Last year saw the two biggest mergers in U.S. corporate history, Chevron's $13.2bn bid for Gulf, and Texaco's $10.1bn takeover of Getty.

Twelve months ago, no-one would have believed that Gulf Oil, one of the fabled Seven Sisters, was vulnerable. Today, *if you listen to the boys on Wall* Street, even giants like Texaco and Mobil may have their work cut out to prove that they have a long-term future as independent oil companies.

Exxon, which got to grips with its overweight cost structure faster than many of its rivals, posted an 18.8 per cent *return on equity last year, more* than twice that of Mobil, whose earnings fell by 16 per cent. Five years ago, both companies were equally profitable.

Equally striking contrasts in performance are emerging in the U.S. banking industry, where few years ago it was virtually impossible to tell the difference between one bank and another. Just two years ago, Bankamerica and Citicorp were fighting for the top spot as the world's biggest bank. Today, there is no contest. Bankamerica earned just 6.7 per cent on its equity last year, and barely covered its dividend, while Citicorp posted a 15 per cent return on equity.

In the electrical and heavy machinery sector, General Electric's management has also shown some swift footwork in positioning the company to play on its strengths. It has been quick to scrap slow-growth, low-return businesses, has cut its labour by 64,000 to 340,000 in the last three years, invested heavily to face Japanese competition in the consumer electronics area, and made skillful use of the 1982 tax breaks to reduce its payments to the Inland Revenue to nothing over the last three years. Last year its return on equity was around 19 per cent.

Managements which recog*nised early that* the Reagan recession demanded a more than normally rigorous approach to cost-cutting are also reaping the benefits of their toughness. The airline industry has produced classic examples of the way in which nimble *managements are succeeding* while others are going to the wall.

For example UAL, the largest U.S. carrier, is among the several major airlines which have introduced radical fire and hire policies to bring in new workers at lower wages while exploiting their market muscle *to counter the threat of the* new low-cost entrants to the industry. Last year, UAL reported a doubling in net earnings to $282m.

Across the board generally, the squeeze on wages was demonstrated last year in union contracts which gave organised labour average increases of only *2.6 per cent a year over the life* of their three-year contracts. This is around 1½ percentage points below the more optimistic inflation forecasts for this year.

One of the conundrums of the current recovery is just how long this quiescent behaviour of labour can last.

There remain anxieties *about* the impact of high real interest rates on some of the weaker members of the corporate sector, particularly at a time when companies overall have been on a short-term borrowing binge. Largely as a result of the record merger wave of 1984 and the fashion for stock buybacks, public companies reduced the amount of their equity by roughly $100bn last year.

But by another token, this high level of financial gearing is an indication of the confidence of much of the corporate sector. And Wall Street, for its part, believes that the U.S. economic recovery still has some way to run. Mr John Whitehead, who recently stepped down as co-chairman of Goldman Sachs, one of Wall Street's premier securities firms, believes that corporate profits will grow by at least 10 per cent in 1985.

"I feel we may be in a prolonged growth period that may even challenge the traditional theory about the length of business cycles," he says.

Men and Matters

Our man in the Tunnel

The Channel Tunnel Group seems to have struck a shrewd blow in appointing as its head our lately retired ambassador to Washington, Sir Nicholas Henderson. Before his stint as interpreter of the Falklands campaign to the Americans, Sir Nicholas had a four-year term as our man in Paris.

A chairman conversant with the ways of both French and British civil servants should be a useful asset. At present, an Anglo-French group of civil servants is appraising the rival merits of two Channel link schemes—the Channel Tunnel Group's, involving a two-way rail link, and the system proposed by the Euro Route consortium, which plumps for a *combination of tunnels and* bridges.

Sir Nicholas is not new to the problems of the Tunnel project. In his farewell despatch from Paris six years ago, he remarked that "so far as the management of major capital projects by government is concerned our vision appears limited and our purpose changeable."

Given that both the French and British governments are determined that the project should be financed privately, Sir Nicholas should have one or two useful contacts through his directorship of merchant bank Hambros. He is also, as it happens, a director of Tarmac, one of the consortium members of the Channel Tunnel Group. And given the nature of the project, one of his other directorships, of reinsurance group Mercantile & General, could also come in handy.

Risk business

Now, for the "sophisticated investor" interested in covert cross-border activities, "The Contrabond." *The largest group* of Nicaraguan anti-Sandinista "contra" rebels, the Nicaraguan Democratic Force (FDN), deprived of secret Central Intelligence Agency funds by a disapproving U.S. Congress last year, plans to issue interest-bearing bonds in the U.S. and other countries to finance its struggle.

"You can't fool me—I know a National Theatre player when I see one."

The bonds are to be part of a fund-raising effort that has already brought in about $5m from private sources since the CIA money was stopped, according to Adolfo Calero, FDN leader, who lives in Miami. They would be aimed at politically-motivated investors, rather like Israel Bonds, which are sold privately to American Jewish supporters, the FDN says.

Calero, previously the Nicaraguan manager of the local Coca Cola subsidiary, says that a Washington law firm hired by an anonymous benefactor is taking the necessary legal steps to offer the bonds for sale. They would be "relatively short-term" and interest would be paid from "contributions from around the world" by private donors.

The interest rates are still under consideration, says Bosco Matamoros, the group's Washington-based spokesman.

The FDN, or a corporation established by it, would act as guarantor. There is one added attraction, however, it seems that American investors could legitimately claim their investment as a tax write-off if the FDN does not succeed in its objectives.

Old Father Coal

Having turned 90, the British coal industry's oldest chief official is thinking of taking it easy. He is John Wainwright, founder, ex-chairman and now secretary of the Federation of Small Mines of Great Britain, the people who dig coal from pits too small to interest the Coal Board.

But Wainwright, a one-time pit manager who started in the industry at 14, is still busily negotiating with the board about renewing the 10-year licences under which his members operate.

This involves regular journeys from his base in Wigan to London. "When the negotiations are over I shall phase myself out and hand over to the new secretary," he says. "But I shall still be carrying on as a consultant."

Home and dry

Westminster city council, not too surprisingly, seems to be putting its money on Mrs Thatcher if a survey by Which? magazine is anything to go by.

Which? decided to probe local authority searches, that cumbersome process by which house buyers find out whether a new road is likely to be routed through their living room, and chose 10 Downing Street as its "testpiece." Westminster's search took 18 days—in comparison computerised Lancaster took only eight, but Brent and Lambeth more than a month.

On No 10, Westminster's reply made reference to a Government Precinct Conservation Area and "a communication channel under highway." But, unlike most of the 21 authorities surveyed, it didn't ask to be notified of any change of ownership.

People and pills

Do you prefer a pink pill to a blue capsule? This is the kind of controversy building up around the government's proposals to save up to £100m a year by limiting the brand name products available on the health service.

Kevin McNamara, the amiable Labour MP who is chairman of the backbench all-party group for the pharmaceutical industry, has pointed out that *some patients have* "a *psycho*logical attachment to the shape and colour of particular medicines" and wondered what advice is to be given to GPs when their freedom on branded drugs is curtailed.

Health minister Kenneth Clarke has responded by showing that some traces of the fundamental Tory belief that the man in Whitehall doesn't necessarily know best still remains. He has told McNamara that doctors will be well able to overcome difficulties about the shape and colour of pills and potions without advice from his mandarins, who, incidentally happen to be based, in civil service terms, a world away from Whitehall, over the other side of the river at the Elephant and Castle.

Wish you were . . .

Blackpool, famous for many things, among them illuminations, the Golden Mile, Albert and the Lion and a defrocked rector on display in a lion's cage, is now set to woo budget-conscious Britons away from the Mediterranean. Its publicity department gets our prize for the year's worst pun so far — the slogan emblazoned over its 1985 brochure. "The Costa Notta Lotta."

Observer

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½%
Armco Trust Ltd.	14½%	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½%
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12¾%	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½%	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14
Consolidated Credits	14 %	Westpac Banking Corp	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
The Cyprus Popular Bk.	14 %	*Williams & Glyn's*	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.

† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.

‡ Call deposits £1,000 and over 11%.

‖ 21-day deposits over £1,000 12½%.

¶ Mortgage base rate.

§ Demand deposits 11%.

** See Provincial Trust Ltd.

FOREIGN AFFAIRS

Wishful thinking on U.S. defence

By Ian Davidson

LAST WEEK'S State of the Union speech was, by common consent, a vintage Reagan performance, brimming with sentimental glorification of American greatness, and an almost lachrymose panegyric on an even greater and more heart-warming future. All that was lacking was a celestial choir and a Technicolor sunset.

Yet those issues of substance on which he briefly touched — notably the massive increase in the defence budget and the research programme into Star Wars anti-missile defence — left a sense of bafflement over the real degree of contact between emotional yearning and practical policy.

This gap between aspiration and reality is particularly sharp in the case of the budget. In terms of an opening wish list, Mr Caspar Weinberger, the Defence Secretary, has got virtually everything he could have asked for, with a defence budget request which, if adopted, would increase spending by 6 per cent in real terms to $314bn. The trouble is that the request will not be adopted as it stands, nor anything like it, because Congress won't stand for it, either out of alarm at the size of the overall budget deficit, to which increased defence spending is a major contributory factor, or because the gross disparity between runaway defence spending and cutbacks in domestic welfare programmes is bound to be politically unpopular ahead of the 1986 mid-term elections.

Now this is certainly one way of satisfying the Reagan Administration's long-established objective of modernising and expanding America's defence capability: ask for much more than you expect to get, and hope that Congress does not wield the axe too freely. Moreover, the long lead-times involved in big-ticket, high-technology weapons systems mean that it is not all that easy, and not necessarily cost-effective, to deflect the defence spending juggernaut once it gets under way.

On the other hand, a Father Christmas wish-list is not obviously the best way for the administration to indicate its priorities or, at the end of the day, to secure a force modernisation programme which has coherent strategic shape. Which is more important, the B1 bomber (which may already be obsolescent, but not as obsolescent as the aged B52s), the advanced Stealth bomber, the controversial MX land-based missile, which has long encountered congressional resistance because of its potential vulnerability to Soviet attack, or the Trident II missile submarines?

One must presume that in the administration's mind they are not equally important, since it knows that any or all of them could be vulnerable to congressional cutbacks. Yet in practice the administration is leaving it to the cross-currents of the arguments on Capitol Hill to produce a more coherent package.

In domestic political terms it may be tactically shrewd of President Reagan to hand over to Congress the uncomfortable responsibility for deciding whether and how to reduce the overall budget deficit, if it dares. But it is surprising that, in the security field, the administration has done so little to build on the bi-partisan model of the 1983 report by the Commission on Strategic Forces, so as to forge a closer consensus on how much America needs to spend on defence, and what it needs to spend it on.

The second perplexity concerns the President's Star Wars anti-missile defence research programme. There is, of course, no mistaking President Reagan's personal commitment to this programme, which he launched just under two years ago, though some people may judge it provocative of him to ask for a tripling of expenditure, to $3.7bn, a bare month before the re-opening of arms control talks with the Soviet Union in Geneva. No, the ambiguity is over what the President thinks he is offering to the American people, and how he believes it fits into the agenda on the Geneva negotiating table.

When he launched the idea which led to the Strategic Defence Initiative, in March 1983, President Reagan held out the hope that new technologies would render nuclear weapons obsolete—in other words, they would provide a defence against incoming ballistic missiles so perfect, that the U.S.—and the Soviet Union, for that matter—could abandon their reliance on the mutual mass destruction of retaliatory nuclear weapons for their security.

At the time, this alluring image was widely put down as the undigested product of wishful thinking. The technologies for such a defence might or might not become available, but when he spoke they had scarcely been researched, let alone developed.

Few doubted that research to establish whether such a leak-proof defence was conceivable would take several, probably many, years, and that operation development would take a lot longer: one could applaud President Reagan's moral vision of a world without the bomb, or one could deplore his naivete in selling a vision without adequate consideration of its practical implications, but either way the moment of decision would be many years ahead. Scientists who believed in, and might hope to benefit from, the research programme might wax lyrical about pop-up lasers, orbiting mirrors and space-based battle stations; and since the Russians were and had long been engaged in a parallel research programme, there were reasonable grounds for arguing that America should not be caught napping. But in operational terms, the political decisions would have to be taken by some future president.

Critics of President Reagan were quick to attack his Star Wars programme—the adoption of the dignified official title Strategic Defence Initiative has entirely failed to supplant the more derisive popular catch-phrase, which may be no more than poetic justice for a president who came originally from Hollywood—on three grounds: technological, strategic and analytical.

Mr Weinberger (left) and Mr Reagan: loyalty after presidential hype

The technological challenge was insuperable, they said, because of the short flight-time of ballistic missiles, because any space-based system would itself be immensely vulnerable to attack, and because it would be easier and cheaper to multiply and vary offensive systems than to fortify defences.

If the technological problems could be overcome, a defensive system would be destabilising and dangerous because a nuclear superpower, which feared that its retaliatory weapons risked being disarmed by an opposing defensive system, might have an overwhelming incentive for a pre-emptive strike.

Finally, no defensive system could render offensive weapons obsolete, even if it were perfect; neither nuclear super-power could know that its defences were perfect, because they could never be tested in remotely plausible conditions short of nuclear war, and therefore both superpowers would be bound to retain, as an insurance, retaliatory nuclear forces which might, for security, be even larger and more varied than would otherwise be the case. In short, even a perfect defensive system could precipitate a massive defensive/offensive arms race.

Mr Reagan will no longer be in office when Star Wars matures to the point of a decision

As the administration's scientists got down to a systematic examination of what was really possible and how soon, it gradually became clear that, for many of them, at least in private, euphoria was at least balanced by caution. A paper delivered last autumn by one of the key figures in the SDI programme in effect conceded that the objective of a leak-proof defence was a risky technological gamble, and that a more feasible objective might be a more modest system for defending localised military targets, if only because this would vastly complicate the problem facing a would-be pre-emptive attacker.

Such a modest capability might indeed be worth having. The anxiety among American hawks has been that U.S. land-based missiles are vulnerable to pre-emption by increasingly accurate Soviet weapons, and their anxiety has helped drive both the Reagan arms build-up, and the controversy over the MX. The American missile silo defence system permitted under the 1972 Anti-Ballistic Missile (ABM) treaty was dismantled a decade ago on grounds of ineffectiveness. A new, more effective local missile silo defence might help to restore calm to the American right wing and increase the stability of the nuclear balance.

In public, however, the administration is still holding out the most extravagant expectations. In his inaugural speech last month President Reagan offered the hope that the SDI programme would create a security shield that "would render nuclear weapons obsolete." Only last week Mr Weinberger carried loyalty to the point of describing the objective as a "thoroughly reliable" defensive system that would render nuclear weapons "obsolete and totally impotent."

It is perfectly possible to take a sanguine view of the large gap between presidential hype and the more prudential assessments of the scientists, and of its implications for the arms control negotiations. President Reagan's vision of a bomb-free world is attractive and morally impeccable; it is also entirely cost-free, because he will no longer be in office when the research programme matures to the point of decision-making. Some future president would be faced by the awkward dilemma of whether to test and/or deploy some form of space-base anti-missile system, which is banned under the existing 1972 Anti-Ballistic Missile agreement with the Soviet Union.

While France has expressed misgivings, Britain and Germany have publicly taken a sanguine view of the research programme, since it is not banned under any arms control treaty, and its banning could not in any event be verified; Mrs Thatcher got the next best thing, during her visit to Washington last December, when she secured U.S. endorsement of the proposition that "any testing or deployment of a strategic defence would be a matter for negotiations." Yet last month Mr Weinberger said on U.S. television: "I am ruling out the possibility of giving up a strategic defence either in the research stage or, if it becomes feasible, in the deployable stage."

The point is that President Reagan does not have an open mind on the pros and cons of SDI to which, as one official put it, he ascribes all the force of a "moral imperative"; and his Secretaries of State and Defence are transparently anxious to blur the proposition, central to all previous arms control negotiations, that there is an unbreakable link between defence and offence.

Lombard

Don't go by the dollar rates

By Samuel Brittan

IF ANYONE in the financial community deserves to receive not merely a knighthood, but a dukedom, it is the person who can kill the harmful and anti-thought habit of judging the behaviour of sterling by the sterling-dollar exchange rate.

The charts show the movement of sterling against various benchmarks since it started to weaken in September. From the beginning of that month until its January low point it fell by some 15 per cent against the dollar. On the official trade-weighted sterling index, the fall was a good deal less—about 9 per cent. But even the index is misleading because it contains a 25 per cent dollar weighting.

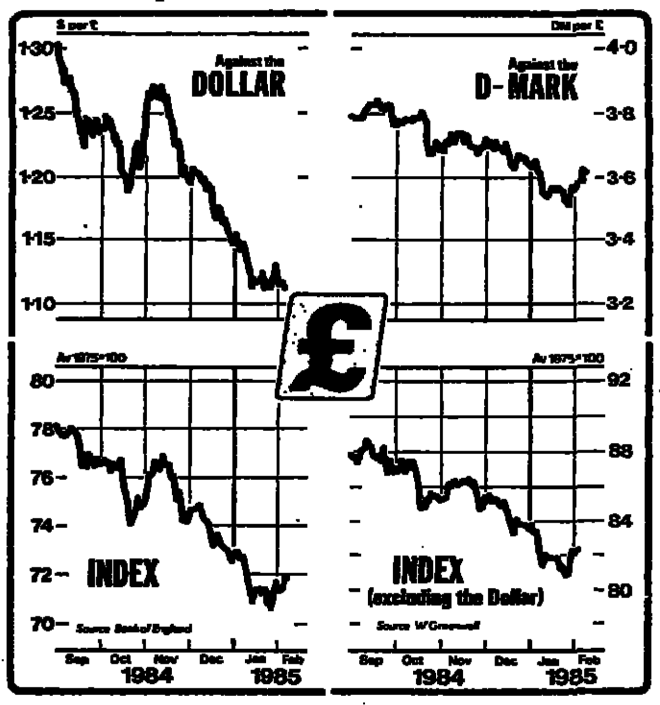
A better indicator of the specific fortunes of sterling is the index excluding the dollar, which the Bank of England ought to publish every day. An alternative benchmark is the D-mark.

By the end of 1984 sterling on any yardstick had fallen enough to offset the more rapid rise in unit costs in Britain than for instance in the U.S., Japan and Germany, and probably already discounted some rundown in oil production.

Yet early in 1985, the pound fell against the D-mark and non-dollar currencies in general, before the two crisis increases in base rates in mid and end-January, and fell again somewhat in New York last Friday night.

The much more dramatic plunge of sterling against the lollar to a point where talk developed of a "one-dollar pound" was important mainly because people thought it was. By giving the impression that sterling was much weaker than it really was, it risked setting off a snowball movement out of sterling which would have weakened it much more against other currencies too.

To attempt to keep the dollar down by high interest rates in other countries is too masochistic by half, and especially so in the case of Britain, whose interest rates have already risen far more than any major Continental country's The timing and extent of base-rate changes should depend ultimately on the British Government's counter-inflationary objective, and proximately on sterling's movement against the non-dollar currencies.



Letters to the Editor

Higher payroll costs

From the Chairman, Life Offices' Association.

Sir, — The Chancellor of the Exchequer in his last Budget removed the national insurance surcharge on employers of 2 per cent on the grounds of "the impact that this tax has, not only on industrial costs but also —at a time of high unemployment—on jobs."

I now read in the Treasury's paper "The relationship between employment and wages" the suggestion that a fall in real wages (which includes employers' pensions and national insurance contributions) of 1 per cent might produce a rise in the demand for labour of between ½ per cent and 1 per cent.

It would be more than surprising therefore if in his next Budget the Chancellor were, as speculation would have it, to impose a tax on pension fund investments. Such a tax would increase labour costs substantially. Even a tax at what might be regarded as a low rate of 10 per cent could result in increased costs of up to 5 per cent of payroll. It would therefore, have a greater impact on industrial costs and on jobs than did the national insurance surcharge.

E. B. O. Sherlock.
Aldermary House, Queen Street, EC4.

Sales of trucks

From the Managing Director, Leyland Trucks.

Sir, — I was appalled to see that you carried a most misleading advertisement, placed by Bedford, on February 7. This implied a massive downturn in sales of commercial vehicles sold by Leyland — a position completely the reverse of the truth.

As you will be well aware, the only commercial vehicles marketed under the Leyland name are those trucks produced by my company. Our UK sales performance in 1984 was in fact most encouraging. Sales of Leyland trucks over 3.5 tonnes gross increased to over 7,700, further consolidating our already strong position in the sales league, where we were second overall. We led the market in no fewer than five of the 12 months and firmly anticipate improving on this in 1985.

To date we have never indulged in "knocking copy," but on this occasion I must point out that in 1984 Bedford trailed behind Leyland in third place and never once came close to overtaking us.

I am most surprised that such an advertisement should ever have been carried and we are complaining most strongly to the Advertising Standards Authority.

L. M. Wharton.
Lancaster House, Leyland, Preston, Lancs.

World trade in textiles

From the Managing Director, Central Confederation of the Textile Industries in Federal Republic of Germany.

Sir,—Professor Aubrey Silberston's letter (January 29), dealing with the multi-fibre arrangement (MFA) mentioned a number of points that, in my view, merit some clarification.

The assertion that a liberalisation of the MFA would eliminate quota rents in developing countries, notwithstanding the fact that they receive only about one-third of the total of these as compared with developed countries who receive nearly two-thirds overlooks that there are no quotas in textile trade between developed countries and that, hence, quota rents do not exist here. The problems arising from an imposition of quotas are unduly narrowed-down to the very few cases where quota rents come about. As it is, for the great majority of developing countries subject to the MFA, quota rents are unknown. This is due to the fact that, as the recently published GATT study on textiles shows, the full utilisation of quotas by the MFA countries was the exception rather than the rule.

A drastic example in this respect is India, which, according to "Textile Asia" magazine was, in 1983, hardly using 15 per cent of its quota for fabric exports to the EEC and a mere 3.4 per cent for the U.S., whereby these results would have only been "marginally better had there been normally working Bombay mills."

I am increasingly exasperated by liberalisation myopia that consistently points its fingers to the cumbersome bullet-proof MFA-vest that the EEC countries are allegedly wearing. While repeatedly claiming that this vest is a serious barrier to free trade, it is—equally consistently not-mentioned that one of the main raisons d'etre of the MFA is a—rather poor—safeguard against blatantly unfair trading practices in the majority of the so-called low-cost textile exporting countries. The more precise names for these unfair trade "bullets" being: subsidisation of production and/or exports as well as practically inaccessible markets in these latter countries.

As long as these grossly unequal competition conditions exist in world textile trade and neither the EEC Commission, my own Government, the GATT (or academia) demand their abolishment, something similar to the MFA will be necessary to avoid the devastating effects that even a gradual liberalisation of world textile trade would have on employment and industry in EEC textiles and clothing.

As for the various models presented to sum up the purported damage the MFA has been causing to consumers and the economy as a whole, it should be mentioned that in his own study Professor Silberston is very much more cautious as to the tenability of their results than his letter seems to suggest. In an economic situation in which structural unemployment will be with us for the foreseeable future without any hope of large-scale alternative employment at hand, calculations resulting from models compounding questionable assumptions and projections ranging to 1997 are a shaky bridge to offer the EEC textile and clothing industry—currently one of the major employers.

(Dr) Konrad Neundoerfer.
6, Frankfurt 70, Schaumainkai 87.

Aid for low paid families

From Mr G. Bywater

Sir,—Ruth Lister of the Child Poverty Action Group (February 2) is more in accord than she seemed to realise with Samuel Brittan in his recent perceptive contributions in which he discussed ways of improving the tax-and-benefit regime for low-paid families.

But the main thrust of her letter argued towards a conclusion that she seemed to swerve away from—that the premium of a married man's allowance over a single person's allowance should be redistributed to those receiving child benefit as a "home responsibility allowance"—an excellent phrase.

Indeed, then, why not pay such an additional benefit equally to each allowance book holder, on the basis that home responsibility may be said to be related more to the age of the youngest child than to the number of children in the home?

This direct allowance might be sufficiently substantial to induce many of those receiving child benefit to refrain from jobs. Any job vacancies arising would then lead to savings in unemployment pay which could further finance the allowance.

Such a reform would therefore seem to be a sound social and financial investment.

G. A. Bywater.
9, Kinders Road, Greenfield, Bolton.

Freesheet readers

From the Executive Officer, Association of Free Newspapers

Sir,—The degree of prejudice displayed by Ian Hamilton-Fazey in the Lombard column (February 1) would suggest that he is not open to argument on the subject of free newspapers. At least he is honest enough to declare his vested interest in paysheets.

Those who saw his column may be interested to learn that overall 75 per cent of the population read free newspapers; research by professional companies frequently shows readership as high as 91 per cent.

Perhaps most telling is the fact that in two campaigns against free newspapers by the National Union of Journalists the number of people persuaded to ask for cancellation of delivery amounted to fewer than 0.1 of 1 per cent of households.

Sorry Mr Hamilton-Fazey. The real volume of complaints comes if we are late or fail to deliver.

Ian Locks.
Ladybellegate House, Longsmith Street. Gloucester

The Governor's signals

From Mr W. Low

Sir,—If, as reported by David Lascelles in his article on the Bank of England (February 8), the Governor still hopes to be able to achieve things by raising his eyebrows, then surely the appendages in question must be of such dimensions that their movements easily can be interpreted. Judging by the photograph, Mr Leigh-Pemberton's eyebrows appear to lack the requisite luxuriance. Accordingly, short-sighted bankers may have difficulty in accurately determining the Governor's intentions: recent events in the City may lend credence to this theory.

To avoid confusion, the Governor may have to resort to artificial aids—obtainable, I believe, from most cosmetic counters. Alternatively, perhaps he could ask Mr Denis Healey to act as a "locum tenans" when an eyebrow-raising exercise is necessary!

William F. Low.
25, Majestic Drive, Onchan, Isle of Man.

FINANCIAL TIMES

Monday February 11 1985

Terry Byland on Wall Street

Aerospace flight path for growth

THE AIRLINE business has become a harder place to live in since the industry was deregulated in 1977, so it is hardly surprising that Wall Street investors in the sector have had an equally bumpy ride.

Stocks in the major domestic carriers have often outpaced the rest of the market since the January boom in industrial equities took off, but that has not prevented occasional setbacks as the market switched its attention from tumbling oil prices – good for airline profits – to vicious price discounting – extremely bad for them the last time it happened.

At the last count about 13 airlines had filed for Chapter 11 since deregulation. The list was lengthened last month when Northwestern Airlines filed, and few analysts believe the list is closed yet.

Investors seeking a safer ride have been buying into the industry through the backdoor by following the aerospace sub-contractor stocks. These stocks have lagged behind the market since January 1, partly because of their modest size, partly because most of them also sell to the military aerospace programmes which are thought to be at the top of their spending cycle.

Company	Share earnings $ (last fiscal)	Sales ($m)
Hexcel	1.03	150
Hi-Shear	(0.63)	51
Rohr	4.50	606
Wyman-Gordon	2.40	389

The best performers have been SPS Technologies, which leads U.S. production of fastening systems for aero-engines and frames with sales of around $212m for 1984, Hi-Shear Industries, its rival with $51.6m sales for fiscal 1984, and Wyman-Gordon which makes high-strength forged metal components.

The sub-contractors are already benefiting from the upswing in the commercial aerospace cycle which surprised the industry in 1983 and 1984. In the first nine months of last year orders for commercial aircraft totalled 281, against 158 for the whole of 1983, according to Mr James Vail, aerospace analyst at Oppenheimer.

The increase came mostly in orders for narrow-bodied aircraft, for which a new market has been created by the success of Federal Express and its nationwide courier service, now emulated by Airborne Freight, Emery Air Freight and United Parcel Service.

This trend is spreading to the larger aircraft more commonly used for passenger carriers.

The new generation airliners are extensive users of the new composite materials, which can substantially reduce aircraft weight, and of the new components needed to support composite structures.

Rohr Industries holds 50 per cent of the world market for aero-engine products, and has made significant progress in the use of composite materials. Its two big earners are its contracts with Boeing and with Airbus Industrie, both of which are likely to maintain high production levels for the next few years.

With all this strength in its markets, annual profits of Rohr remain only just above the $500,000 level. The stock traded on about 11 times earnings, putting it on a par with the Standard & Poor's 400 index. Rohr, however, is likely to show a substantial increase in earnings this year – perhaps as much as 24 per cent, according to Oppenheimer, compared with forecasts of flat, or marginally higher profits for the S & P Industrials.

Also apparently overlooked is Wyman-Gordon, trading on 15 times earnings. Defence equipment is still Wyman's prime source of revenue, representing about half of the total of $390m or so for 1984. Its defence contracts are spread widely through the range, however, covering most of the forgings for the B-1B bomber but also for helicopter rotors. Its defence revenues could still grow by 15 per cent over the next two years, the board believes.

On the commercial side, Wyman, having already benefited from the demand for narrow-bodied aircraft, stands to do well from the expected increase in orders for large passenger-carrying airframes.

One factor which militates against investment in the sub-contractor stocks is the narrowness of the market in many of them. Wyman-Gordon, for example, has 19.4m shares outstanding but only 19,000 of them are traded on an average day.

Major institutions are wary of locking themselves into stocks in which trading markets are narrow. For this reason aerospace subcontractor stocks were left out of the initial upsurge in the stock market in mid-January.

Now, with the second-line stocks making the running in heavy turnover, while the blue chips tread water for a while, the sector is coming to life.

Wall Street prices, Pages 20-23

Kohl backs research into 'star wars' plan

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN MUNICH

EUROPEAN governments differ sharply in their approach to the U.S. strategic defence initiative, despite efforts of the U.S. Administration to win European support.

West German Chancellor Helmut Kohl moved appreciably closer to endorsing the so-called "star wars" initiative at the weekend, when he agreed not only that the U.S. programme of research should go ahead but proposed that European countries should be involved in the programme.

M Charles Hernu, the French Defence Minister, speaking at the same Wehrkunde defence conference in Munich, however, was notably less enthusiastic. Repeating French calls for a treaty to limit anti-satellite weapons, M Hernu warned that the research into ballistic missile defence would be likely to lead to the deployment of weapon systems and an enhanced arms race in space.

Chancellor Kohl, mindful of his presently quiescent but powerful domestic opposition on defence, phrased his support for President Reagan's initiative cautiously, enjoining the U.S. to consult its European allies at every stage of the forthcoming arms control talks in Geneva, where the 'star wars' initiative and the questions of medium and long-range nuclear missiles will be discussed.

Chancellor Kohl appeared to accept the key U.S. argument that the 'star wars' project, even if it made possible only an imperfect defence against incoming nuclear missiles, could lead to greater strategic stability between the superpowers.

The U.S. argument, expressed in a speech by Defence Secretary Caspar Weinberger, who failed to arrive from snow-bound London, would ultimately enable the superpowers to negotiate significant reductions in offensive nuclear missiles.

For M Hernu this outcome was likely only if the present competition between the superpowers was replaced by a "complicity" where all "rivalry had drained away." That, he thought, was most unlikely

Equal scepticism was expressed by Mr Geoffrey Pattie, Minister of State in charge of Britain's civilian space programme.

Chancellor Kohl said that Germany had not asked for and not been offered participation in the $26bn star wars research programme.

Mr Pattie doubted whether the U.S. would be prepared to open up space research to European industry.

Mr Richard Perle, Assistant Secretary for International Affairs at the Pentagon later said he saw no reason why "in theory" European co-operation in the programme should not be sought.

U.S. officials, however, later acknowledged that Chancellor Kohl's suggestion of participation found them without a policy on the issue.

U.S. defence thinking, Page 13;
Arms control talks, Page 2

Washington warns again over Tokyo telecommunications laws

BY JUREK MARTIN, FAR EAST EDITOR, IN KYOTO

THE U.S. once again warned Japan yesterday that it was concerned that the pending changes in the Japanese telecommunications system might still end up discriminating against American companies.

Mr William Brock, the U.S. Trade Representative, told Mr Keijiro Murata, the Japanese Minister for International Trade and Industry (Miti) that there would be "negative and unfortunate" reactions in the U.S. if the proposed but still unformulated new telecommunications laws, due to be in force by April 1, fell short of U.S. expectations.

The thrust of Mr Brock's remarks confirmed that the U.S. had decided to exert the maximum pressure on Japan on telecommunications. It is, at present, difficult for the ministry to respond since the new lasws due to take effect with the partial privatisation of the state monopoly, Nippon Telegraph and Telephone (NTT) on April 1 are not its responsibility, but that of the Ministry of Posts and Telecommunications. A Miti official conceded last night that his ministry had yet to be consulted on the NTT legislation.

Perhaps aware of this, Mr Brock had warned that it would be "useless," to make a telecommunications proposal so close to April that there was far too little time for adequate discussion with the U.S. on its contents. That appears to be a genuine possibility at this stage.

The Brock-Murata exchanges took place in a separate meeting in the margins of another round in the series of quadrilateral trade ministers' conferences. This one included the EEC, in the person of Mr Willy de Clerq, its Commissioner for External Relations, and Canada, represented by Mr James Kelleher, the Minister for International Trade.

It does not appear that the U.S. or Japan made much progress in solving any of the several trade disputes now confronting them. For example, according to Miti officials, neither Mr Brock nor Mr Murata were able to convey any decisions by their respective governments on the ending or continuing of the current programme of restraints on Japanese car exports to the U.S., which is due to expire next month.

For its part, the Japanese side appeared particularly concerned that in the next round of talks on steel, due to be held in Washington within the next week, that the U.S. not adopt too rigid an attitude to the so-called "sub-category" issue.

Japan has committed itself to limiting itself to 5.8 per cent of the U.S. steel market but how various steel products are classified remains to be negotiated. If the U.S. proves inflexible, Mr Murata told Mr Brock, "it may be difficult for Japan to meet the relevant U.S. demands, thus creating problems for U.S. users."

Japan also proposed to the U.S. that the agreement mutually to abolish tariffs on semiconductors – negotiated over a year ago and due to take effect next month – might be duplicated on other microelectronic sectors. Mr Murata argued that electronics was a fast expanding area of bilateral trade and, as such, one in which trade friction should be avoided.

Pfaff hit by Brazilian problems

BY JOHN DAVIES IN FRANKFURT

PFAFF, the West German sewing machine maker, has run into problems in Brazil, leading to suspension of the company's stock market quotation and postponement of a rights issue to shareholders.

Pfaff, based in Kaiserslautern, has indicated that the problems, said to be of an exceptional nature, are being investigated but has given no details.

The company's Brazilian subsidiary, Pfaff Industria de Maquinas in Curitaba, has about 300 employees and mainly makes industrial sewing machines, most of which are exported. The subsidiary made a profit in 1983, but its results for last year have not been disclosed.

The Pfaff group announced a month ago that its household and industrial sewing machines brought in worldwide sales revenue of DM 935m ($288.5m) last year, an increase of 12 per cent. It said at the time that profits had improved and would allow a dividend at least as high as the previous year's DM 6 per share with a nominal value of DM 50.

Its stock market quotation was suspended on Friday after its shares had closed at DM 175 on Thursday, and the suspension is due to continue today.

Pfaff recently announced a capital increase to raise DM 26m in cash. The right to subscribe was due to apply from tomorrow, but has been postponed to a date yet to be announced.

The Pfaff sewing machine business was set up more than 120 years ago. In recent years, members of the founding family have held about 38 per cent of the share and the Volksfürsorge life assurance group about 24 per cent.

Pfaff earns about a third of its sales revenue from household sewing machines and two-thirds from industrial machines. More than two-thirds of its sales are outside West Germany.

Profits surge for U.S. companies

Continued from Page 1

trasts between different sectors of the economy, highlighting both the relative decline of mature industries and the buoyancy of the high-technology and service sectors. Steel, machine tools and heavy machinery industries, for example, remained deeply depressed, while computers, defence and retailing groups all showed healthy increases.

Different sectors also displayed differing abilities to withstand the abnormal strength of the dollar, which rose particularly sharply in the second half of the year. The computer and pharmaceuticals industries, for example, were hurt by the increase in the U.S. currency but still managed to perform creditably. IBM's net earnings were ahead 20 per cent to $6.58bn and Dow Chemical's by 75 per cent to $585m.

In contrast, the high dollar struck a crippling blow at the exporting potential of several industries, including forest products and machinery manufacturing. Caterpillar, the world's largest earth-moving equipment company, for example, was forced to cut deeper into its U.S. production capacity as exports collapsed and it slumped to losses of $428m. In 1983 the company reported a loss of $345m.

In the domestic market, importers found it much easier to compete, making further inroads into the steel and textile markets among others.

Wall Street has recently pushed market averages up to record levels, buoyed by the hope of steady profits growth for at least another year, and probably 18 months.

The main worry overhanging the capital markets is that while several big groups have rarely had more cash in hand, many companies have taken on record amounts of short-term debt in expectation of continued growth. This high level of gearing makes the corporate sector vulnerable to any serious upturn in interest rates, which now stand close to at 12-month lows across the spectrum, despite the slight upturn in the past two weeks.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	12	54	Dubrovnik	F	13	55	Malaga	F	15	59	Salzburg	Sn	-5	23
Algarve	C	17	63	Faro	C	17	63	Malta	S	17	63	Seoul	F	4	39
Algiers	F	21	70	Florence	C	13	55	Manila	—	—	—	Singapore	R	26	79
Amsterdam	S	-4	25	Frankfurt	S	-8	18	Miami	—	—	—	Stockholm	S	-11	12
Athens	S	17	63	Funchal	S	21	70	Milan	Fg	1	34	Strasbourg	C	-7	19
Bahrain	S	18	68	Geneva	C	5	41	Moscow	S	-17	1	Sydney	S	23	73
Bangkok	—	—	—	Gibraltar	R	16	61	Munich	Sn	-8	18	Taipei	—	—	—
Barcelona	F	15	59	Guernsey	C	1	34	Nairobi	F	25	77	Tangier	—	—	—
Beirut	S	17	63	Helsinki	S	-13	9	Naples	C	14	57	Tehran	—	—	—
Belgrade	—	—	—	H. Kong	R	16	61	New Delhi	S	20	68	Tel Aviv	S	20	68
Berlin	S	6	43	Innsbruck	C	-1	30	New York	—	—	—	Tenerife	—	—	—
Biarritz	—	—	—	Inverness	—	—	—	Nice	R	9	48	Tokyo	S	14	57
Blackpool	S	-1	30	Istanbul	S	13	55	Oporto	C	14	57	Toronto	—	—	—
Bordeaux	R	8	46	Jersey	Sn	0	32	Oslo	S	-13	9	Tunis	S	18	64
Brussels	S	-6	21	Jo'burg	C	24	75	Paris	C	-3	38	Valencia	F	17	63
Budapest	S	-3	27	Las Palmas	F	22	72	Prague	S	-11	12	Venice	C	4	39
B. Aires	—	—	—	Lima	—	—	—	Reykjavik	C	2	36	Vienna	F	-7	19
Cairo	S	22	72	Lisbon	R	14	57	Rio de J'o	—	—	—	Warsaw	Sn	-14	7
Cape Town	S	29	84	Locarno	C	4	39	Rome	C	14	57	Zurich	C	-2	28
Caracas	—	—	—	London	F	-3	27								
Casablanca	—	—	—	Los Angeles	—	—	—								
Copenhagen	S	-10	14	Luxembourg	S	-8	18								
Corfu	F	15	59	Madrid	C	12	54								
Dublin	F	1	34	Majorca	C	16	61								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Caterpillar complaint

Continued from Page 1

nied that the company's move represented any change in policy. "We have always advocated a tough stance against unfair trade practices and I hope we always will," he said. In this case, he said, the company had initially decided not to participate but then did another review and changed its mind.

Exports of Japanese construction equipment have grown rapidly in recent years and Komatsu, the leading Japanese producer and second largest in the world, has significantly reduced the wide gap between itself and Caterpillar. Since 1977, Komatsu's sales have doubled to $2.9bn while those of Caterpillar have risen only 13 per cent to $6.6bn. In the past three years Caterpillar has suffered huge losses while Komatsu has remained profitable.

Caterpillar makes about half its sales outside the U.S. and has long been a vigorous defender of free trade. In the past two years, however, its officials have become bitter, complaining about the high value of the dollar, especially in relation to the yen.

London SE sets new trade rules timetable

By Alexander Nicoll in London

OUTSIDE shareholders would be allowed to assume full ownership of stockbroking and stockjobbing member firms on the London Stock Exchange after March 31 1986, according to a tentative timetable set by the exchange's ruling council.

It is understood, however, that the date is part of an "ideal" schedule of steps leading to the restructuring of trading practices brought about by the planned dismantling of fixed commission scales. It is therefore still viewed as flexible.

Virtually all member firms of significant size have struck deals with banks and other outside shareholders, most of which will take 100 per cent ownership when the exchange's rules permit. At present no outside shareholder may own more than 29.9 per cent of a member firm.

The exchange, under a 1983 agreement with the Government, must introduce negotiated commissions by the end of next year. The council is approaching the timetable leading up to this with caution because a debate over the exchange's constitution remains unresolved and because new technology must be introduced to handle the restructured trading system.

It has been under intense pressure from member firms who are seeking an acceleration of the process, including a quicker relaxation of the 29.9 per cent ownership limit.

Under the preliminary timetable now set – although still subject to adjustment – outsiders could assume full ownership of brokers and jobbers before other structural changes, including the permission of "dual capacity", took place.

Brokers and jobbers who merged together into banks – as is the plan in several deals struck by member firms – would therefore still have to keep their operations separate as at present, with jobbers retaining their market-making capacity and brokers not acting as principals.

Dual capacity – the blurring of the distinction between brokers and jobbers – would probably be allowed at the same time as fixed commission scales were barred, nearer the end of 1986.

The council is understood to have favoured the March date because it coincides with the end of the exchange's own financial year and that of many member firms. It wants to give members a chance to reorganise their corporate structures before the new trading system is introduced, but to avoid too long a transitional period in which full ownership of member firms is allowed, but not a merging of their activities.

Honda plan for UK car plant

Continued from Page 1

manufacturers on the basis that the initial programme entails assembly only, by building an engine plant first – even though it might appear uneconomic – Honda should be able to head off in advance any criticisms about local content.

It is known that a feasibility study is under way, inspired originally by Honda's joint venture with BL, for Japanese components producers to set up in the UK to make carburetters, clutches and electronic components.

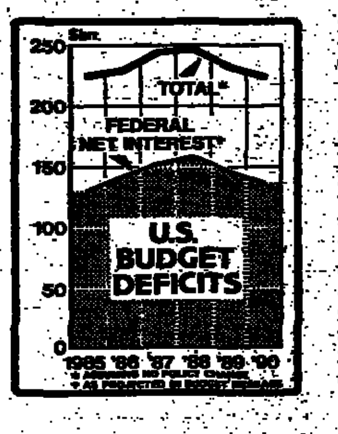
With Japanese manufacturers insistent on having their suppliers a few miles at most from their plants, the prospects for an influx of Japanese concerns into the Swindon area appear considerable.

Precedent for this already exists in Honda's operations in the U.S. Four of Honda's major suppliers in Japan have grouped themselves into a joint venture company – KIH Parts Industries – to supply Honda with an assortment of components from a $30m plant in which they have invested – close to its Maryville plant.

THE LEX COLUMN

Signal failure in Washington

Budgetary confusion does not normally breed financial confidence, not even in the U.S. The past week has, nevertheless, balanced an unusually confusing series of policy statements from Washington with yet another leap in the value of the dollar. On a simple view, the international community of lenders and speculators was allowing the lure of an easy trading gain to dominate caution about the longer term valuation of the U.S. currency – which might seem in order as the U.S. plunges into its new role of debtor nation. That combination is certainly paradoxical, and if it is no longer unfamiliar, it still looks unstable.



In the short term, the simple view is bound to be correct. Whatever form of budget compromise eventually emerges, the amount of finance needed to square the federal books will certainly be forthcoming. Nor is there much risk, this year at any rate, in supposing that foreigners will go on buying Treasury paper with appreciating dollars.

So long as the virtuous circle is not broken – by a serious reversal in the dollar – both parties will presumably remain satisfied with their bargain. The lenders, at least, will be encouraged by some signs that the Federal Reserve has been tightening its monetary regime, helping to keep yields high and sustain the exchange rate. The Administration, however, has been saying a number of things which might easily have been calculated to weaken faith in these cosy arrangements, overturning its position on two important issues in the course of the week.

President Ronald Reagan's attack on the independence of the Fed – blamed for the last two recessions and for slower growth at the end of 1984 – was followed by the more conciliatory remark that the central bank had been doing all right, by and large making enough monetary room for the real economy to expand. But the net residue was a suspicion that the Fed was being groomed as a scapegoat for the next hiatus in real output.

More worryingly for buyers of Federal debt, the President's attitude to control of the deficit, reasonably stern in the budget message, also appeared to have reversed itself by the time he got around to this weekend's fireside chat. The renewed emphasis on growth as the best means of reducing deficits was at odds with earlier proposals for widespread cuts in non-defence spending. In fact, Mr Reagan went out of his way to snub advocates of a slow-down, saying that they had lost the battle last November. Real willingness to cut the deficit was scarcely evident.

In the longer run it would be odd if the fireside message went down well in the bond and currency markets. Even on the official assumption that the Treasury will be able to fund at 5 per cent or so nominal for the rest of the decade, the cost of servicing $200bn deficits might still strain the supply of potential credit. On a more realistic basis – where lenders demand a few points of real return and inflation is never less than three or four per cent – the deficits are bound to be much larger than the projections assume.

For the present there is every temptation for the Administration to go on as before, exploiting the revealed appetite of the market for dollar debt. It is beyond doubt, however, that the extra funding needs that would become apparent in a recession – virtually bound to occur at some point before the end of the decade – would sharply worsen the terms at which this borrowing could be done. With the fiscal stimulus showing up to an ever increasing extent in the current account deficit, it need not be long before the exchange rate buckles, driving up the coupons demanded by the market.

So far the markets, too, are prepared to regard an expanding deficit in the light of a normal business risk, and without demanding anything exceptional by way of reward. The record of currency markets as anticipators of capital flows is not good, whatever the practitioners may say about discounting and rational expectation: sterling crashed in 1976 when it was known that oil was about to come onstream, while the dollar crisis of 1978 brought about the age of Mr Volcker and sound money. But it would now be strange if the maturity of foreign dollar holdings had not already started to shorten, just as the total inflows of investment dollars have declined in the last two years.

Quoted UK

It is a touch unconventional for a company's annual report to be issued by its stockbroker, but Quoted UK has a particularly unwieldy share register, rivalled only by that of its new subsidiary, British Telecom. In the circumstances it is easy to see why the job of distribution was farmed out to Hoare Govett. It would be no surprise if Hoare also had a hand in drafting the document, ensuring that it contained the type of segmental and historical information required by London financial institution analysts: a good piece of corporate investor relations.

Although the addition of an auditor's report would help to increase confidence, the company – Hoare Govett's aggregation of the UK quoted company sector – appears to be in pretty reasonable financial shape. Cash generation has become the main feature; funds-flow statements for the past three years show that the group has been consistently investing almost twice the historic depreciation charge in fixed capital, and although the cost of dividends has risen by 36 per cent during the past three years, QUK has still been able to reduce its net indebtedness by nearly £10bn over that period.

Less impressively, the company appears unable to take full advantage of corporate grouping for tax purposes. The stated tax charge for 1984 of 47 per cent suggests that tax losses are not being efficiently used. Perhaps the board – headed by Sir Owen Green, no doubt, or perhaps Lord Hanson – should be on the lookout for a suitably loss-making acquisition.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday February 11 1985

U.S. banks revise attitude to East European credits

A NEW FASHION for East European business seemed to be developing in the Eurocredit market last week, **writes Peter Montagnon in London.**

Not only was there an enthusiastic initial response to the new $150m deal for Deutsche Außenhandelsbank, East Germany's foreign trade bank, but on Friday came news of an Ecu 50m credit for the Soviet Union bearing a margin of just ¼ per cent for the first three years rising to ⅜ per cent for the remaining four.

This marks a sharp fall in margins for the Soviet Union, whose foreign trade bank was until recently borrowing at around ½ per cent over Eurocurrency rates. East German margins have also dropped. Aussenhandelsbank's new deal bears interest at ⅜ per cent over Eurodollars or ½ per cent over U.S. prime compared with a 1 per cent Eurodollar margin previously. But the main feature of last week's new deal was the conspicuous presence of major U.S. banks – Bank of America, Citicorp and Manufacturers Hanover – in the lead group.

U.S. banks, most of which have shunned East European business since the Soviet invasion of Afghanistan and the Polish debt crisis, are now clearly changing their minds. The reason is not hard to find. Deals such as that for Deutsche Aussenhandelsbank are straightforward, high-yielding syndicated loans that are increasingly hard to find elsewhere. "It is," said one banker last week, "almost enough to make the old hands weep with nostalgia."

But others argue that it would be wrong to expect Eastern Europe to pick up much of the slack left by the decline in traditional business elsewhere. Though East Germany may continue to borrow, partly to refinance existing debt, and the Soviet Union needs loans to finance grain imports, other Comecon countries such as Czechoslovakia have now adopted a very conservative approach to foreign borrowing. Poland and Romania are still very much in the shadow of their own reschedulings.

The supply of new business from Eastern Europe is therefore likely to remain rather sparse. That could lead to a situation where competition for business drives margins down too fast for comfort. Some bankers argued that this was already the case with the new Soviet loan, which is led by Crédit Commercial de France.

Other developments in the market combined to suggest last week that business may be picking up, albeit slowly. Not only are Greece and Korea (through its Exchange Bank) likely to seek loans soon; Portugal has now launched a $500m credit deal, half of which is to take the form of a Euronote and short-term advances facility.

Terms on the deal include a margin of ⅝ per cent for the conventional credit portion and a facility fee of ¼ on the Euronote standby which will bear interest at ⅜ per cent if drawn. They are regarded in the market as finely balanced, but the yield of about ⅛ per cent on existing Portuguese Euronotes and the heavy oversubscription of the recent $100m deal for Electricidade de Portugal suggest demand is there.

The same cannot be said of Turkey whose $500m facility was still stuck at $450m last week. Some of these commitments are conditional on the full amount being reached, and there are worries that banks in the deal may start getting restive if the lead group is not completed soon.

Merrill Lynch meanwhile launched a $150m, five-year Euronote facility for the Transco energy concern for which the maximum yield on the notes has been set at 15 basis points. The Council of Europe is raising an unusual BFr 1.25bn, nine year 11½ per cent credit through Caisse d'Epargne and Banque Générale of Luxembourg as well as Enskilda Securities.

Bond demand dries up as dollar keeps climbing

THE EUROBOND market has lost its nerve. "The bull market psychology is broken," said one trader on Friday. Last week saw the dollar rise yet higher against the major currencies, detering investors both from buying dollar bonds, in case the dollar falls, and non-dollar bonds, in case it does not fall, **write Maggie Urry and Peter Montagnon in London.**

In any case investors and dealers have so much paper already that they will not take any more. Traders report that buying from the Swiss and the Japanese has dried up.

Meanwhile the New York bond market is in trouble too. Last week's auctions have left the banks stuffed with paper. The Federal Reserve was seen to be tightening a touch, and fed funds rates rose. The budget deficit looms over all.

Practically all of last week's fixed rate Eurodollar bond issues were well underwater by Friday, save for Salomon's Society for Savings. Many of the big issuing houses – such as Credit Suisse First Boston, Morgan Guaranty and Morgan Stanley – were keeping well clear of the market.

Against that background, syndicate managers were highly critical on Friday of a deal brought by UBS (Securities) for Rockwell.

This is UBS's third deal in two weeks, an unusually large number for this house, and rival syndicate managers suspect that UBS is buying market share, at the cost of supporting mispriced issues. Although the first two – for Mobil and Kodak – were syndicated, both issues are weighing heavily on co-managers' books.

At last the co-managers have turned, and on Friday the major houses were virtually all turning down the $300m Rockwell deal.

At the time of pricing the cost of funds to Rockwell was a staggering 37 basis points below U.S. Treasury yields – a spread larger than that on the IBM issue the week before, which had to be cut in size.

The floating-rate note market is not immune from the troubles. Higher interest rates are hitting prices, but at least there are fewer new issues to contend with, and last week's were all trading inside their fees even on Friday.

This week sees the launch of three floaters from Thailand, totalling $400m.

Alarm also gripped European and Japanese markets as the dollar scaled new peaks. Here the problem is not just that investors risk currency losses if the dollar fails to hold on to these new giddy heights. Short-term interest rates are being sucked higher by its rise; and that is undermining domestic bond markets too.

Mr Satoshi Sumita, new governor of the Bank of Japan, was twice forced to deny last week that rates would be ratcheted upwards. But that only fuelled speculation that the Bank of Japan was poised to move. Domestic bonds tumbled by more than two points on the week and Euroyen issues fell in the wake – though not by quite as much.

Friday's new Samurai issue for the Inter-American Development Bank shows just how far the market has deteriorated. It yields 7.103 on the Japanese basis and this compares with 6.7 per cent on the (slightly shorter) Victoria Public Authority issue launched a week before.

That is the order of the day in Germany too, where today's scheduled DM 200m issue for Spain has been temporarily withdrawn.

Secondary market prices in Germany fell by up to three points last week with the recent warrants issue for Kobe Steel plumbing a new low of 92¾. Milder falls were registered in Switzerland, but UBS still had to increase the indicated coupon on its IC Industries issue to 5⅞ per cent from 5¾ per cent.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	3740.7	2.0	142.4	499.9
Prev	2292.8	000.0	1152.5	28.1
Other	466.0	000.0	148.5	52.9
Prev	1015.8	000.0	000.3	138.5
Secondary Market				
U.S.$	22373.7	1635.2	10304.9	2372.0
Prev	16269.9	675.2	11914.0	2424.4
Other	1806.8	95.6	363.0	1126.4
Prev	2311.8	44.7	258.2	1199.7

	Cedel	Euroclear	Total
U.S.$	12265.0	28805.7	41070.7
Prev	11354.6	23402.3	34756.9
Other	2200.9	1860.4	4061.3
Prev	3124.0	1844.7	4968.7

Week to Feb 7 '85 *Source: AIBD*

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Mitsui Petrochemical ¶‡	25	1990	5	8½	100	Nomura Int.	8.500
Yamato Transport §‡	40	2000	15	3	100	Nikko Secs (Europe)	3.000
Kumagai Gumi §‡	80	2000	15	3½	100	Daiwa Europe	3.500
Shin-Etsu Chem. §	30	2000	15	(3)	100	Yamaichi Int.	*
Fed. Bus. Dev. Bank ‡	50	1989	4	10¾	99⅞	Wood Gundy	10.415
Orient Leasing ‡	50	1992	7	11	100.6	Daiwa Europe	10.873
Society for Savings ‡	75	1990	5	11⅜	100	Salomon Bros.	11.375
Bergen Bank ‡	75	1990	5	11½	100¼	Salomon Bros.	11.432
John Deere	150	1995	10	11⅝	99⅝	Merrill Lynch	11.691
Bankers Trust (NY) ‡	100	1990	5	11⅛	99⅞	Bankers Trust Int.	11.159
Ferrovie dello Stato †‡	460	1995	10	(a)	100	Merrill Lynch	–
Royal Bk of Canada ‡	100	1990	5	11⅛	100	Orion Royal Bank	11.125
Maruzen ¶	20	1990	5	(8⅞)	(100)	Nikko Secs (Europe)	*
Toyo Trust (Asia) ‡	100	1992	7	11⅝	100	Salomon Bros.	11.625
Gould Inc. ‡	75	1995	10	11¾	100	Kidder Peabody	11.750
Bankers Trust (NY)(b) †‡	300	2000	15	¹⁄₁₆	100	Bankers Trust Int.	–
Nippon Shinpan ‡	50	1992	7	11	100.6	Daiwa Europe	10.873
Taiyo Yuden §	50	2000	15	(3¼)	100	Daiwa Europe	*
Pittsburg Nat. Bank (b)†‡	100	1997	12	¹⁄₁₆	100	Salomon Bros.	–
Optec Dai-Ichi Denko ¶	30	1990	5	(8⅜)	100	Yamaichi Int. (Europe)	*
Ford Motor ‡	100	1995	10	11⅝	99⅝	Goldman Sachs	11.691
Rockwell ‡	300	1992	7	10⅞	99¾	UBS (Secs)	10.928
AUSTRALIAN DOLLAR							
Bank of Tokyo Ltd ‡	50	1992	7	12⅝	101½	Bank of Tokyo Int.	12.293
NEW ZEALAND DOLLARS							
N. Z. Breweries ‡	25	1991	6	15¾	99¾	Bqe Gutzwiller, K. B.	15.817
N. Z. Breweries ‡	25	1992	7	15⅞	99¾	Bqe Gutzwiller, K. B.	15.937
D-MARKS							
EIB ‡	300	1993	8	7½	100	Deutsche Bank	7.500
Province of Quebec ‡	200	1995	10	7⅝	100¼	Commerzbank	7.588
SWISS FRANCS							
Nat. Patent Dev. Corp. §‡	60	1995	–	6	100	Bqe Gutzwiller, K. B.	6.000
Asian Dev. Bank (c)†	50	2000	–	6	100	SBC	–
Nihon Cement**‡	20	1990	–	5⅝	100	UBS	5.625
Mitsui Mining Co.**¶‡	50	1990	–	3⅝	100	UBS	3.625
Chugoku Elec. Pwr.	100	1993	–	Postponed	–	Credit Suisse	
Settsu Paperboard**‡	100	1990	–	5¾	99½	Credit Suisse	5.868
Mitsui Petrochemical**§‡	50	1990	–	1⅞	100	UBS	1.875
Settsu Paperboard	100	1993	–	(5⅞)	*	Bank Hofmann	*
Toyobo Co.**¶‡	75	1990	–	3⅜	100	SBC	3.375
Hisamitsu**§‡	40	1990	–	1⅞	100	SBC	1.875
Sperry Corp.(d)‡	100	1995	–	6¾	100	UBS	6.750
Shimizu Construction**	100	1990	–	(5¾)	*	UBS	*
IC Industries ‡	150	1995	–	5⅞	100¼	UBS	5.841
Keihan Elec. Railway**‡	50	1990	–	5⅝	100¼	Banca del Gottardo	5.566
Wang Laboratories§‡	200	2000	–	4¾	100	UBS	4.750
Aga**‡	32	1987	–	5⅛	100	Credit Suisse	5.125
Atsugi Nylon Ind.**§	40	1990	–	(2)	100	SBC	*
Horiba Ltd.**§	40	1990	–	(2)	100	Credit Suisse	*
Silver Seiko**¶	50	1990	–	(3½)	100	Credit Suisse	*
Shin-Etsu**§	80	1990	–	(2)	*	UBS	*
General Oriental ¶	150 min.	1995	–	(5½)	*	Soditic	*
Taiyo Co.**§	50	1990	–	1⅞	100	Credit Suisse	1.875
Eisai Co.**§	100	1990	–	(2)	100	Credit Suisse	*
ECUs							
Chrysler Fin.‡	60	1991	6	10	100	Banque Paribas	10.000
YEN							
IADB‡	35bn	2000	12.3	7	99¼	Daiwa Secs.	7.083

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating-rate note. ¶ With equity warrants. (a) Higher of 6-m Limean or 1-m Libor, refixed monthly, payable 6-monthly; (b) ¹⁄₁₆ over 3-m Libor. (c) ⅛ over 6-m Libor. (d) Dual currency.
Note: Yields are calculated on AIBD basis.

US MONEY AND CREDIT

Mood turns skittish as Fed touches brakes

THE U.S. Government securities market sagged last week under the weight of new supply and an overdose of promises, predictions, and protests from everyone from the President down.

By the close last week most bond prices were showing losses of up to a point on the week—despite a price improvement on Friday after the Fed injected funds through an overnight system repurchase agreement.

The price decline reflected two key factors. First the $19bn quarterly refunding went badly leaving much of the new 10 and 30-year paper in dealer hands. Second, following the Fed's recent slight firming, the market's mood—so positive just three weeks ago — has turned decidedly skittish.

The Treasury auctions were a severe market disappointment. Hopes were dashed that the special stripping feature of the new bonds would bolster retail demand which, in the event, appeared almost non-existent.

While the three-year note sale went reasonably well producing an average yield of 10.4 per cent, the 11.36 per cent yield on the 10 year paper and the 11.7 per cent yield on the new (non-callable) 11.25 per cent Treasury long bonds were above dealer expectations.

It took a $1.9bn decline in M1 followed by the Fed's Friday system RP's — conducted when the funds rate hit 8⅝ per cent — to restore any semblance of market confidence.

In fact the backdrop to the refunding was decidedly inauspicious. Ahead of the auction the Fed — apparently reacting to recent heady monetary growth — placed a toe on the brakes.

This has clearly focused attention on the Fed's policy making Open Market Committee (FOMC) meeting which begins a key two-day session tomorrow. The meeting will set the official 1985 monetary targets which Mr Paul Volcker, the chairman, will deliver to Congress on the 19th.

Last week dire budget deficit forecasts from the Congressional Budget Office, the President's State of the Union speech which suggested — much to the market's disbelief — that the U.S. could grow its way out of the deficit problem, and renewed warnings on the deficit problem by Mr Volcker thrust the issue back into the centre stage.

At the same time both the volume and the contents of comments by Fed officials left the markets deeply confused. Among specific comments, Mr Volcker characterised excessive money growth as "counter-productive" while Mr Preston Martin, the vice-chairman, speaking the same day, stressed continuing concerns over a growth recession and the need to reduce the unemployment rate.

Against this backdrop Wall Street's economic gurus were able to draw dramatically opposnig conclusions.

Dr Henry Kaufman of Salomon Brothers, said an "FOMC reaffirmation of current moderate restraint is probable," and argued "The monetary authorities are likely to vote to continue their policy of the past few weeks. Despite dollar strength and the very low current levels of inflation, there aer still fairly compelling reasons for getting better control of the persistent growth in bank reserves and credit."

In contrast Mr Philip Braverman of Briggs Schaedle, while accepting that the near-term market outlook is "bearish" argued that, "though the Fed has firmed, there is ample reason to doubt the Fed will firm further at this week's FOMC meeting."

The effects of this renewed uncertainty are evident in the markets. The "old" Treasury long bond closed on Friday at 102⅞ to yield 11.40 per cent while the new 30-year bonds were yielding 11.35 per cent on a *when-issued basis*.

While bond yields headed higher, short-term rates were largely unchanged to 15 basis points firmer.

In the corporate sector bond prices were unchanged to a point lower on the week and new issue volume slowed to a trickle as treasurers steered clear of the jittery markets. Among the new issues that were brought to market, Bowater Inc sold $125m of 12⅞ per cent 30-year bonds priced to yield 12.45 per cent.

Investors were also introduced to a new breed of securities — "Cars" or Certificates for Automobile Receivables. Salomon Brothers, building on the success of mortgage backed securities, packaged together $10m in Auto loans into the new certificates.

In the meantime the current relative attractions of the Euromarkets to U.S. issuers were brought home by figures from Securities Data Company which showed that U.S. borrowers raised $5.17bn in the Euromarkets in January, compared with $4.36bn in the U.S. domestic market.

Paul Taylor

U.S. MONEY MARKET RATES (%)

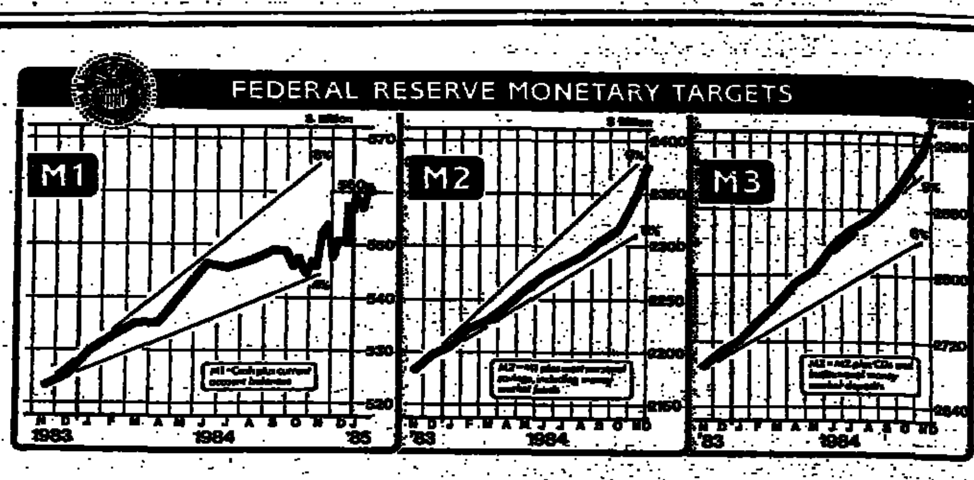
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.42	8.64	8.20	11.77	7.82
Three-month Treasury bills	8.22	8.20	7.77	10.77	7.58
Six-month Treasury bills	8.30	8.32	8.05	10.83	7.87
Three-month prime CDs	8.60	8.55	8.20	11.90	8.05
30-day Commercial Paper	8.45	8.40	7.80	11.39	7.85
90-day Commercial Paper	8.50	8.40	8.00	11.40	7.90

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101½	— ½	11.30	11.25	11.47
20-year Treasury	100⅝	— ⅜	11.54	11.47	11.78
30-year Treasury	102⅞	— ⅞	11.40	11.33	11.62
New 10-year "A" Financial	N/A	— ⅜	12.00	11.90	12.30
New "AA" Long utility	N/A	— 1	12.50	12.37	12.75
New "AA" Long industrial	N/A	— 1	12.25	12.12	12.38

Money Supply: In the week ended January 28 M1 fell by $1.9bn to $559.6bn.
Source: Salomon Bros (estimates)

FEDERAL RESERVE MONETARY TARGETS



UK GILTS

Prices underpinned by institutions

THE GILT market was stronger last week than any analysis based on logic could have foretold. Certainly Tuesday's money supply figures were not a reason for a rise in long-dated stocks of a point over the week. And the base rate cut the market has been expecting is receding from view.

By Friday prices were falling again as sterling resumed its slide. But during the course of rallies on Tuesday and Thursday the Government Broker's conventional taplets were exhausted. The two index-linked taplets were taken out as well.

The Government Broker looked keen to put a damper on the market and delay the base rate cut on Friday afternoon when he announced a £800m *short tap with* a 11 *per* cent coupon and a minimum tender price of £97.50.

Certainly the funding programme is one bullish factor at the moment. Sales in the February banking month should help bring the money supply back into line. And the partly-paid tap—£20 on application on February 13—means that the call falls in banking March, so helping to fund ahead.

A base rate cut, brokers say, is not imminent, and is now unlikely before the money supply figures for February are announced in early March. The authorities may even wait until the budget for the cut—the clearing banks are not keen to cut without a clear signal.

That leaves the yield curve looking distinctly odd. Short rates are high, but yields dip to around the five-year area. Then a hump appears around the seven-year term, before yields tail down quite steeply.

Most analysts agree that this structure is unsustainable. But *they are more divided over how* the curve will resolve itself. Either short-term interest rates will come down, making the five-year stocks look rightly priced, or those yields will correct themselves by moving up.

Last week the market could ignore that for a while. As one gilt salesman said to a client during Thursday's run-up: "I don't like the look of the yield curve much, but the market's going up, so you'd better buy a few."

As dealers cast around for a reason for the rise, the fabled overseas buyers were said to be out in force. Estimates of their interest are sometimes exaggerated, but there was undoubtedly some buying from foreign investors, perhaps encouraged that the miners' strike is nearly over and that sterling is holding its own against the dollar rather better than the yen and D-Mark.

Another likely cause for the market's firmness is the high level of institutional liquidity at present. Estimates of the pension funds and insurance companies' short-term assets of £8bn to £9bn are common, while some guesses go much higher. These cash holdings form a higher proportion of total assets than has been seen for a while.

That helps to explain why the gilt market has not really fallen a long way during the 4½ point rise in base rates, and why institutions could be scared to be left out of a rally in the market.

Institutions may also be wondering where else to put their cash at the moment. With sterling so low, overseas investment is not appealing.

Some interest in index-linked stocks has been seen, though demand for these stocks is generally patchy. Today's figures for producers input prices are likely to show a rise for January, a first hint of the higher inflation now widely forecast. This will be the first period *since* the beginning of index-linked funding when expectations are for a rise not fall in inflation, and it will be interesting to see how the index-linked stocks perform.

Maggie Urry

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	100⅛	−0⅛	11.71
Amer Savings 12 89	125	100⅝	−0⅛	11.73
Amer Savings 12⅜ 89	100	101⅛	−0⅛	11.66
Asian Dev Bk 11¾ 93	100	100	−0⅛	11.73
Australia 11¼ 90	100	104⅛	−0⅛	10.20
Australia 11½ 95	300	100⅜	−1⅛	11.35
Australia 11⅝ 98	100	104⅛	−0⅛	10.99
AIDC 11 89	75	100⅛	−0⅛	10.96
Austria 15½ 88	75	110⅜	−0⅛	11.32
Bk. America 12 87	200	102	−0⅛	10.87
Bk Nova Scotia 13⅝ 87	100	103⅛	−0⅛	11.98
Bank of Tokyo 13⅝ 91	100	107⅛	−0⅛	11.90
Bank of Tokyo 13⅞ 89	100	107⅛	−0⅛	11.56
Bqe Nat Paris 13½ 89	150	105⅞	−0⅛	11.74
Bqe Nat Paris 14⅛ 90	250	106⅝	0	12.41
BFCE 16 86	299	107⅞	−0½	10.77
Br Col Hydro 11⅜ 93	200	101⅞	−0⅛	11.37
Br Col Hydro 12½ 14	200	101⅞	−1⅞	12.64
Br Col Hydro 12½ 13	250	102	−1⅛	12.62
Britoil Fin 11⅞ 90	125	100⅛	−1	11.78
Canada 10⅞ 88	500	100⅛	−0⅛	10.71
Casio Computer 5⅞ 89	80	111	0	2.98
CCCE 12⅝ 95	75	102⅛	−1	12.06
Citicorp O/S 10 86	300	98⅞	−0⅛	10.41
Citicorp O/S 10⅜ 90	100	94⅞	+0⅛	11.71
Citicorp O/S 11½ 88	100	99⅛	−0⅛	11.89
Citicorp 11⅜ 90	100	99⅛	−0⅛	11.74
...				
Saskatchewan 16⅛ 88	100	111⅞	−0⅛	12.28
Scot Natl Fin 14⅛ 88	50	106½	−0⅛	13.08
Sears O/S Fin 98	500	20⅛	−0⅛	12.63
Sears Roebuck 10½ 91	150	97⅞	−0½	11.09
Sears oRebuck 11⅞ 91	150	102⅛	−0⅛	11.12
Sec Pacific 12 92	100	100½	−0⅛	11.88
Shearson/Amex 12⅛ 94	100	101⅞	−0½	11.77
Shell (Canada) 14⅛ 92	125	108⅛	−1⅛	12.36
Shell (Canada) 15⅛ 91	100	112⅞	−0⅛	12.70
Standard Chart 11½ 94	200	100	0	11.48
Statoil 12 88	100	103⅛	−0⅛	10.52
Sumitomo Fin 12⅛ 91	150	103⅛	−1½	11.95
Sweden 12⅛ 89	200	103½	−1	11.35
Swedish Export 11½ 89	100	100⅜	−0½	11.37
Taiyo Kobe 12 90	100	100⅝	−1⅛	11.88
Texaco 10½ 90	200	96	−0⅞	11.46
Texaco 10½ 93	200	95½	−1K	11.32
Texaco Capital 13½ 89	200	106⅝	−0⅛	11.54
Texas Instru 11⅞ 91	150	102	−0⅛	11.39
Tokai Asia 12⅛ 91	100	102	−0⅛	11.76
Tokyo Electric 6½ 89	70	93	0	8.58
Tokyo Electric 13⅛ 89	100	107½	−0⅛	11.11
Toronto-Dom 12⅛ 89	50	102½	0	11.80
UBS 12⅛ 91	100	103	−0⅛	11.62
Veba 8 93	70	108⅛	−0⅛	6.66
Warner-Lambert 10⅛ 90	100	97⅞	−1	10.88
West LB 11⅞ 90	100	99⅛	−0⅛	11.92

CONVERTIBLE BONDS (part)				
Most-Hennessy 7 89	50	102⅛	−0⅛	8.40
Murata Mfg 3½ 99	100	117⅛	−0½	5.35
Murata Mfg 3½ 00	100	116½	+1	7.54
Nippon Oil 3⅛ 99	50	81	−1⅛	14.43
Ono Phrm. 3⅛ 98	60	108⅛	+8⅛	−1.23
Soc Gen Surv 4½ 94	51	85	−4	145.04
Sumitomo Corp 2⅞ 99	70	86⅛	−3⅛	0.32
Texaco Capital 11⅞ 94	1bn	101⅛	0	47.46
Texaco Capital 11⅜ 94	500	101⅛	0	46.74
Usair Finance 7 98	50	110⅛	+2	0.82
Yamanouchi 4 90	50	268⅛	+24⅛	4.04

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 5⅝ 88	15	95⅞	−0⅛	7.09
Asian Dev Bk 7⅛ 94	15	99⅛	−1½	7.47
Asian Dev Bk 8⅛ 91	15	103⅛	−1⅛	7.59
Asian Dev Bk 8⅛ 92	15	105	−1⅛	7.71
Australia 8½ 91	15	104⅛	−1⅛	7.83
Austalia 8⅛ 92	15	105⅛	−1⅛	7.88
Denmark 8⅛ 92	15	102⅞	−1	7.71
Eurofima 6½ 86	10	99½	−0½	6.92
Eurofima 7⅛ 94	10	101⅛	−1⅛	7.16
Eurofima 8⅛ 88	10	102⅛	−1½	7.85
Euro Invest Bk 7⅛ 89	15	102	−0⅞	7.20
Euro Invst Bk 8⅛ 92	15	103⅛	−1⅛	7.60
Finland 8⅛ 87	15	102½	−1	7.13
Finland 8⅛ 89	15	102⅞	−1⅛	7.62

EQUITY WARRANTS / BOND WARRANTS (part)	Expiry date	Price	Chg. on week	Prem.
Du Pont 13⅛ 89	25/8/86	48⅛	−2	7.09
Eksportfinas 13⅛ 88	15/9/87	48⅛	−3⅛	1.30
Gen Elec 12⅞ 91	7/8/87	41⅞	−3⅛	5.02
IBM Credit 13 87	9/9/85	43⅛	−2⅛	−4.60
Inv in Inds 10⅛ 91	1/12/88	64	0	0.59
M Hanover 13½ 87	1/9/85	22½	−4⅛	2.86
McDonlds F 11½ 94	5/1/89	16½	−5⅛	8.41
Morgan J.P. 10⅛ 90	16/8/87	10½	−3⅛	9.69
Nordic Inv Bk 11 90	15/11/87	11⅛	+0⅛	10.65
Oestr Lnbk 13½ 89	9/8/87	46⅞	−2⅞	1.80
Penney J.C. 10⅞ 90	15/10/87	12	−0⅞	7.95
Post-O Kred 11⅛ 90	15/11/87	9½	−1⅞	9.73
Ryl B Scot 11½ 98	15/11/88	16⅛	−1½	9.24
Texaco 10½ 93	15/11/87	10⅛	−3⅛	9.28
Texaco Cap 12⅞ 92	1/9/87	42	−2⅛	8.92
Thmsn-Brdt 13⅛ 91	28/8/86	38	+1½	6.02
Weyerhaeuser 11 90	15/11/87	10	−2	9.43
Xerox 13⅛ 87	15/8/85	33⅛	−1⅞	−1.05

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on February 8

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

MORTGAGE-BACKED BONDS

Europeans snap up a U.S. delicacy

INVESTORS in the Eurobond market are being treated to a delicacy long since available to those in the U.S. domestic bond market—mortgage-backed bonds.

By securing a bond issue on property the credit rating can be greatly enhanced and so money can be raised on finer terms. So far U.S. borrowers have been the main issuers of such bonds, extending to the Euromarkets practices developed back home.

But one issue—in the Eurosterling floating rate note sector—has significant implications for the way the UK housing market is financed.

The issue which raised £50m was made in the name of a new company, with only minimal capital—a daring enough exercise by lead manager Morgan Grenfell. But it is also the first bond issue to be backed by UK residential mortgages.

The structure of the issue took Morgan Grenfell and its lawyers many months to develop, a sign in itself that the bank believes there is potential to do many more such deals.

The company—called Mortgage Intermediary Note Issuer (No 1) or Mini for short—is a vehicle company, the sole purpose of which is to own a pool of 1,200 mortgages and match that asset with the FRN liability.

As a result the FRN is a remarkably safe investment. The rate of default on mortgages in the UK is tiny, at less than 0.001 per cent. Even so, Bank of America from which the mortgages were purchased, will cover up to £2½m of losses if they should occur. Above that level Mini would have the usual recourse to law. Under English law, a mortgage is backed both by the property and the person—so there is a double chance of getting the money back in the case of a default.

Investors snapped up the paper and future borrowers using the structure should meet a similarly good response.

That is encouraging news to the many banks which have gone into the housing finance market over the past few years. By selling the mortgages to a company like Mini, the loans can be taken off the banks' balance-sheets, allowing them to take on more mortgages and so expand their business.

The banks can currently fund their mortgage business more cheaply in the Eurobond market than the building societies can from retail deposits. While interest rates stay that way, the banks could make further inroads into the building societies' market share. At the end of 1984, building societies had 77 per cent of the U.K.'s £107bn of outstanding mortgages.

There are two parts to the mortgage business. First finding the mortgages—something the building societies and clearing banks can do through their branch networks—and second, refunding them. There is no reason why the two functions should be performed by the same organisation.

In the U.S. there is a thriving secondary market in mortgages, though bankers there have yet to come to grips with the problem of packaging floating rate mortgages for sale.

Wall Street bankers are looking for other loans to package and sell, though. Armed with the motto "anything can be securitised," bankers are planning bond issues backed by car purchase loans and even credit card debts.

M.L.U.

U.S. Quarterly Results

ANDERSON, CLAYTON
Food

Second quarter	1984-5	1983-4
	$	$
Revenue	485.2m	412m
Net profits	8.72m	11.18m
Net per share	0.72	0.90
Six months		
Revenue	929.9m	738.6m
Net profits	10.69m	26.49m
Net per share	0.88	2.05

ANHEUSER-BUSCH
Largest U.S. brewer

Fourth quarter	1984	1983
	$	$
Revenue	1.72bn	1.64bn
Net profits	71.9m	67m
Net per share	1.38	1.25
Year		
Revenue	7.16bn	6.65bn
Net profits	391.3m	348m
Net per share	7.40	6.60

CHUBB
Propperty & casualty insurance

Fourth quarter	1984	1983
	$	$
Op. net profits	29.3m	14.5m
Op. net per share	1.39	0.78
Year		
Op. Net profits	68.6m	84.4m
Op. Net per share	3.52	4.56

GANNETT
Newspapers, broadcasting

Fourth quarter	1984	1983
	$	$
Revenue	570.1m	477.1m
Net profits	74.51m	60.78m
Net per share	0.93	0.76

GENERAL SIGNAL
Instrument & control systems

Fourth quarter	1984	1983
	$	$
Revenue	460m	434m
Net profits	32.68m	30.43m
Net per share	1.14	1.05

Talks on troubled Brazilian bank

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN Government is acting fast to try to dispose of Sul Brasiliero, the leading financial group in the far south of Brazil, which it stepped in to save last Thursday when the group was on the brink of failure.

Negotiations between the Central Bank, which is supervising the break-up of the group, and a pool of eight leading banks on the takeover of Sul Brasiliero's extensive bank branch network and payment of its debts are to resume in Brasilia today.

According to Sr Jose Luis Silveira Miranda, a senior official of the Central Bank, the Government did not use "one cruzeiro" in shoring up Sul Brasiliero during its rapidly gathering crisis of recent months.

Calming local fears that the country's 13th ranked commercial bank may pass into foreign hands, Sr Miranda said this option was not being considered "for the moment." Citibank, the leading private bank in Brazil in terms of loans, is reported to have shown an interest in its purchase.

Meanwhile, the government-appointed supervisor of the troubled group announced over the weekend that current account holders—of which there are an estimated 1.5m—will be able to withdraw up to Cr 200,000 (US$55) this afternoon. Term deposits and other term financial instruments are frozen until the end of the government intervention.

Over the weekend petrol stations and supermarkets were reported to be refusing to accept Sul Brasiliero cheques.

Approval for 1bn ringgit complex

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN authorities have finally given the go ahead for a 1bn ringgit (U.S.$400m) commercial complex in Kuala Lumpur's central business district after years of protracted negotiations.

Multi-Purpose Holdings, the Chinese investment company, which owns the 15.2 acre site along Campbell Road, through its subsidiary, Bandar Raya Developments, said it would develop the site with Peremba, a government-owned property company, taking a 30 per cent stake in the venture.

The Campbell project will have four office blocks, of between 35 and 48 storeys, a 587-room international hotel, apartments, and shopping arcades, with a total area of 3.8m sq ft.

Datuk Lee San Choon, MPH's chairman, said work on the first office building would start soon, and the whole project is expected to take 8 to 12 years.

Team Three, a prominent local architectural company, has been appointed the project architect; and John Portman Associates of Atlanta will be the consultants.

The Campbell project has been on the drawing board for the past 10 years. Because of its size and location, the Malaysian authorities have insisted on a substantial Malay involvement in the venture.

As part of the compromise, the authorities have also given approval in principle to MPH for the development of two townships outside Kuala Lumpur in partnership with Permodalen Bersatu Berhad (PBB), the co-operative owned by the ruling United Malays National Organisation. MPH will be the minority partner to develop the 1,450-acre Kepong Estate, while PBB will be the majority partner in the development of the 1,750-acre Cheras Estate.

Eastern Airlines near debt solution

By Our New York Staff

EASTERN AIRLINES, the beleaguered Miami-based carrier, has edged closer towards a resolution of both its immediate debt problems and the battle with its trade unions.

The two issues have come together because Eastern has fallen into default on most of its $2.5bn of long-term loans by failing to negotiate satisfactory new wages agreements within the time period specified by its lenders.

Eastern said on Friday that its lead lenders were recommending to the company's entire group of lenders that they accept proposals put forward by Mr William Usery, an Eastern consultant, earlier this week.

Mr Usery had asked the group's three unions to approve new wage agreements and has sought a commitment from its lenders to remove the default status in the event of a negotiated settlement

Eastern said on Friday that it had reached an tentative accord with its pilots and flight attendants union and over the weekend that it had reached a settlement with its machinists.

The settlements are believed to call for continued wage concessions, although these are unlikely to be as severe as last year, when the unions took an 18 to 22 per cent cut in pay in return for a 25 per cent equity stake in the company.

Eastern's lead lenders include Chase Manhattan Bank, Citibank, Prudential Life Insurance, and Equitable Life Insurance.

● James W. Toren and Wilmington Trust, trustees of the BRNF Liquidating Trust, said it had received a $160m cash offer from the closely held Atlantic Capital to buy all of the assets of the BRNF Liquidating Trust,

BRNF Liquidating Trust was established in December to represent creditors of Braniff Airways which filed under Chapter 11 of the Federal Bankruptcy Code in May 1982 and was reorganised into Braniff Inc. Brnf owns the airplanes owned by Braniff.

The trustees said that if an affirmative response is not received by 5 pm February 15 the offer is to be deemed withdrawn.

INTERNATIONAL APPOINTMENTS

GM finds Saturn project chief within its own ranks

BY TERRY DODSWORTH IN NEW YORK

GENERAL MOTORS has broken away from the practice of decades and dug deep down into its managerial ranks to fill what is probably the most exciting job in the corporation—the presidency of the new Saturn small car project.

At 50, Mr William Hoglund, formerly head of the operating staffs group, is a mere stripling by GM standards. In the days before Mr Roger Smith took over as chairman and began to shake up the group, he would have expected to wait at least five more years to move into its topmost ranks.

At Saturn he has been given not so much rank as a chance to shine in an experimental group which may well have an enormous impact on the way GM organises itself over the next decade.

Mr Hoglund, who was appointed to the job in tragic circumstances following the death of Mr Joseph Sanchez, comes from an auto industry background. His father, Elis Hoglund, was in charge of GM's overseas operations until his retirement, and his brother, Peter, is vice-president of GM's electromotive division.

He goes to Saturn with a reputation as one of the young Turks of the company. In his four years at Pontiac, the company shifted decisively towards the young professional market, and brought out the highly successful sporty Fiero model.

His job at Saturn is to become even more innovative. Set up as an independent organisation, Saturn is the code name for a new small car, which will be made with the very latest technology both on the shop floor and in the back rooms. Competing in the sector of the market which the Japanese importers have made their own, Saturn has a high chance of failure; but the rewards for success could be very high for the manager who pulls off the gamble.

Chairman of Morinaga resigns

TOKYO — Mr Akio Matsuzaki, the president of Morinaga and Company, has announced that Mr Heihachi Ino, Morinaga's chairman, had resigned due to illness and will henceforth be an adviser.

Mr Matsuzaki said the 79-year-old Mr Ino has been overcome by anxiety about the future of the company, which was exposed to extortionist threats five months ago, and came down with an aggravated cold in the middle of last month and was hospitalised.

Mr Ino expressed his desire in late January to step down as chairman because the responsibility was too heavy for him. His proposal to resign was approved by an extraordinary meeting of the board on Friday and he was then appointed a director and adviser.

Morinaga is one of Japan's major confectionary and food manufacturing companies which have become targets of extortion threats by the so-called Glico - Morinaga extortionist gang whose leader styles himself the "mystery man with 21 faces" after a crime novel of the 1930s.

The criminal gang, still at large, has sought to extort money from confectioners and food makers by threatening to plant poisoned packages of their products on store shelves.

Kyodo

Basle lawyer to lead new board of IFI-Interinvest

BY JOHN WICKS IN ZURICH

DR CLAUDIUS ALDER, a Basle lawyer, is to head the new board of IFI-Interinvest, the Lugano-based management company for the Europrogramme Investment Fund. This follows the resignation of Sig Orazio Bagnasco, Italian proprietor of the fund, and his entire board.

Europrogramme, a L1,000bn ($505m) unit-trust property fund, faces liquidation after enquiries into alleged irregularities by both Italian and Swiss authorities.

Last month, Swiss officials indicated that the chairmanship of IFI-Interinvest would be taken over by a Swiss "neutral personality." Dr Alder, a former independent parliamentarian, had already carried out studies into Europrogramme's activities on behalf of the banking commission. He will head a mainly Swiss board; his vice-chairman is to be Dr Piergiusto Jaeger, a Swiss professor of commercial law at Milan University.

The Basle auditing firm of Allgemeine Treuhand (Atag), which has ties to the Arthur Young group, will act as consultant to the board.

The Europramme "affair" stems from a severe slump in the Italian property market and a liquidity crisis. Since last year angry unit trust holders have been trying to redeem their funds. The controversy over this company has led many in Italy to speak out against the sale there of unquoted share certificates.

General manager for Albaab

By Mary Frings in Bahrain

MR MOHAMMED Mutaz ("Mike") Murad has been appointed general manager of one of Bahrain's major offshore banks, Al Bahrain Arab African Bank (Albaab).

He was executive vice-president of Sun Bank in Florida before joining Albaab in 1982 to become senior vice-president and deputy general manager.

He succeeds Mr Baji A. Palkhiwala, who has been promoted to senior general manager of the Arab African group and will be nominated as a director of Albaab. Mr Palkhiwala was previously senior vice-president of American Express International Banking Corporation, New York, and director of Amex Bank in London.

UK COMPANY NEWS

As the Fed reviews overseas banking restrictions . . .

U.S. banks fear missed opportunity

BY DAVID LASCELLES AND PAUL TAYLOR

U.S. BANKS, presumably, know their law. Yet several of them have gone ahead with plans to buy UK stockbroking and jobbing firms despite a Federal Reserve Board regulation which will severely limit their new subsidiaries' ability to underwrite equity securities, not just in the UK and the U.S., but anywhere in the world.

The Fed is reviewing Regulation K, as it is called, and the banks have responded with voluminous submissions, laced with warning about how they could get shut out of foreign securities markets, particularly in the UK. But the climate for bank law reform is not very favourable in the U.S. at the moment, and the chances of Reg K being eased in time for the "big bang" liberalisation of the London Stock Exchange next year must be small. If so, how much will it cramp the U.S. banks' style?

In its present form, Reg K is highly restrictive since it is designed to extend to the overseas activities of U.S. banks many of the curbs that U.S. bank law imposes on their domestic operations. It does not, like the Glass-Steagall Act, actually forbid banks to engage in securities underwriting, because the Fed recognises that foreign laws are different, and U.S. banks need greater leeway to compete. But it aims to keep U.S. bank involvement in "impermissible activities" to a minimum, and plug loopholes which might otherwise allow U.S. banks to circumvent limitations on what they can do in the U.S.

Insofar as the underwriting activities of overseas firms in which U.S. banks have an interes are concerned, Reg K stipulates that:

● In the case of a joint venture where a U.S. bank holds 20 per cent or more, a maximum of 10 per cent of the joint venture's consolidated assets and revenues can be attributable to equity underwriting or other activities that are generally banned. This rule already applies to many of the City deals put together by U.S. banks which have gone for the 29.9 per cent ownership now allowed by the London Stock Exchange.

● Where a U.S. bank holds more than 50 per cent in a foreign firm (or where it has effective control) its subsidiary may underwrite, distribute and deal in equities so long as no underwriting commitments exceeds $2m or represents more than 20 per cent of the capital and surplus, or voting stock of an issuer. There is a let-out in that the underwriter can take on a greater proportion of an issue where he is covered by binding commitments from sub-underwriters and is, effectively, acting more as an agent than underwriter.

This restriction would apply to the ventures being put together by Citicorp, Chase Manhattan and Security Pacific, all of which are aiming for 100 per cent ownership of London stockbrokers. North Carolina National Bank, which intends to keep its stake in Panmure Gordon to 29.9 per cent would probably fall into the joint venture category.

Because Reg K only applies to equity securities, it does not affect the U.S. banks' huge Eurobond underwriting business. But it does mean that a London stockbroker owned by a U.S. bank would be limited in its underwriting in all equity markets: Europe, the U.S. and the Far East.

Volume of equity securities issued in major markets and proportion underwritten by commercial bank-affiliated groups.

Market	$m in 1983	%
Brazil	204	70
Germany	2,700	95
Hong Kong	194	83
Netherlands	360	99
Switzerland	33	95
UK	1,500	15

Source: Citicorp

U.S. bankers are obviously ken to see Reg K ceilings lifted, not just to get into foreign equity markets, but as part of their overall objections to Glass-Steagall-type restrictions, at a time when big borrowers are financing themselves more with securities than bank loans. Chase, Citicorp and Security Pacific all said last week that Reg K would place limitations both on their banks and the broking firms they intended to buy.

The $2m limit is, itself, very small for banks like Citicorp with assets of more than $100bn, and means they could only take a fraction of UK equity issues, which usually run into tens or even hundreds of millions of pounds. But the 20 per cent rule also means that they could neither lead manage issues nor bring new flotations to the market: an exercise that usually requires the sponsoring firm to underwrite most—if not the entire—stock.

So the question for the Fed is whether trends in overseas markets justify making more of an exception to Glass-Steagall curbs to allow U.S. banks to take advantage of the opportunities. The U.S. banks' case that they are about to miss a historic opportunity to get into UK securities business may seem a bit exaggerated. But this is clearly a ticklish issue, and the Fed's task is made no easier by the high level at which U.S. anti-bank feeling has been running since the rescue of Cotninental Illinois last summer.

BTR and Dunlop clash over register probe

BTR, the broadly-based conglomerate, has clashed with Dunlop, the target of BTR's £33m takeover bid, over a request from Dunlop for a copy of the register of BTR's shareholders.

BTR has threatened to make Dunlop's directors and its merchant bank advisers liable for what it called "totally unnecessary and improper expenditure" should Dunlop spend money writing to BTR's shareholders.

S. G. Warburg and Hill Samuel, the two banks advising Dunlop, were apparently seeking to establish whether the institutions which have underwritten Dunlop's £142m refinancing package, were also shareholders in BTR. This information could help determine Dunlop's defence strategy.

Morgan Grenfell, which it is advising BTR, said yesterday that the shareholders' register had been sent to Dunlop, but it said Dunlop's request was "time-wasting and costly." It also said it was dismayed that Dunlop had made public privatec orrespondence on this matter.

Morgan Grenfell said it was clear that any large UK institution would be a shareholder in BTR, which is among the 10 largest UK companies in terms of market capitalisation.

BTR's letter, which was signed by Mr Norman Ireland, the finance director, said the company had been given legal advice that for Dunlop to write to BTR's shareholders would not be a proper or reasonable cost to incur in fighting the takeover bid.

BTR could only put into effect its threat to hold Dunlop liable for these costs if its takeover bid was successful. With Dunlop's shares at 42½p on Friday compared with BTR's bid price of 23p in shares or 20p in cash a higher bid from BTR appears necessary for it to succeed.

FINANCIAL TIMES STOCK INDICES

	Feb. 8	Feb. 7	Feb. 6	Feb. 5	Feb. 4	Feb. 1	1984/85 High	1984/85 Low	Since Compilation High	Since Compilation Low
Government Secs.	80.84	80.94	79.69	79.63	79.27	79.87	83.77	75.72	127.4	49.18
Fixed Interest	84.04	83.86	83.61	83.50	83.10	83.44	87.48	80.43	150.4	50.53
Ordinary	989.5	989.2	983.3	982.4	966.3	977.5	1024.5	755.3	1024.5	49.4
Gold Mines	484.5	497.1	487.8	474.3	473.3	482.0	711.7	439.5	734.7	43.5
FT-Act.All.Share	622.25	623.0	619.42	617.67	609.95	612.62	627.28	464.84	627.26	61.92
FT-SE100	1295.3	1296.3	1289.5	1289.1	1268.2	1272.6	1305.7	986.9	1305.7	986.9

Decision time over Booker bid

BY ALEXANDER NICOLL

INTENSE activity last week in the shares of Booker McConnell has heightened the City's obsession with its latest guessing game—will Dee Corporation renew its bid for the food distribution, agribusiness and health products group?

Dee, the rapidly expanding supermarkets group headed by Mr Alec Monk, must decide whether to do so by Wednesday, three weeks after receiving clearance from the Monopolies and Mergers Commission. If it makes no move by then, it will be barred by takeover rules from bidding until June.

With the deadline approaching, there have been wide fluctuations in Booker's share price, with large parcels of shares changing hands. There was speculation that Dee was selling some of its 19.8 per cent holding in Booker, but Dee would neither confirm nor deny this yesterday.

Although there was no sign yesterday that a new bid was imminent, arguments for it appeared strong. A rise in Dee's share price means that a simple renewal of the shares-plus-loan-stock terms offered last June, before the Monopolies Commission reference, would be worth £375m or 297p per Booker share compared with £232m then. It would also exceed Booker's share price, which closed at 261p on Friday.

Mr Monk, who has said nothing about his intentions since getting the Commission's go-ahead, may however be reluctant to make another large issue of shares so soon after doing so last November to fund the £180m purchase of the 380-shop International Stores chain.

Booker is in a far better position to defend itself now than it was last year. The bid triggered a management shake-up and a streamlining of its businesses, as well as dramatic improvement in formerly lacklustre profit prospects.

Mr Jonathan Taylor, Booker managing director, said yesterday: "We are prepared for a bid and it will be very vigorously defended on the basis of current performance and future prospects, both of which are looking very strong. We expect to win."

Some stockbroking analysts argued that Booker's rapid recovery could encourage a swift bid from Dee, since a delay could put Booker in an even better position to ward off a bid. But few analysts were prepared to bet on whether Mr Monk would bid this week, bid later, or sell his stake in Booker at a handsome profit and leave it independent.

Carclo in £3.5m sale

Carclo Engineering Group has sold its wholly-owned subsidiary, Acre Street Investments, to the Gold Card Trading Company, a Hong Kong company controlled by Mr J. K. Trivedi and his family interests, for £3.5m cash.

Acre's sole asset is 1,864,333 ordinary shares (57.35 per cent) in the Indian Card Clothing Company (ICC), which makes card clothing for textile mills in India, and which is quoted on the Bombay stock exchange. At the end of March 1984 Acre's net asset value came to £1.9m.

Carclo intends to keep its direct 16.65 per cent holding of shares in ICC.

ICC's turnover and profit before tax as shown in Carclo's accounts were £4.7m and £1.2m respectively for the year to the end of March 1984.

Proceeds from the disposal will allow Carclo to concentrate on the expansion of its other activities.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Bremner—M. Black, M. A. Robinson and associates have acquired 275,000 ordinary which together with the 807,000 shares already held brings total holding to 1,802,000 shares (19.6 per cent).

Bristol Channel Shiprepairers—C. H. Bailey has sold 1.3m ordinary and its interest reduced from 61.54 per cent to 59.9 per cent.

F. J. C. Lilley—Director A. G. Provost has purchased 200,000 ordinary shares.

Mercantile House Holdings—M. A. Knoples, a director, on February 5 sold 40,000 shares at 358p.

Tyzack (W.) Sons and Turner—Ayre Mallett and Co. has sold 75,000 ordinary, reducing its holding to 500,000 shares (19.6 per cent).

Winterbottom Energy Trust—London Merchant Securities has recently acquired a further 200,000 ordinary to bring the number of shares beneficially owned to 5,829,000 (24.28 per cent).

Applied Computer Techniques—B. J. Jacques, director, disposed of 60,000 shares at £2.25¾ and now holds 167,200 shares.

Suter—B. Mondy, director, sold 5,000 ordinary and purchased £2,750 9¾ per cent Consolidated Loan stock. R. Schofield, director, sold 5,500 ordinary and purchased £2,500 9¾ per cent Consolidated Loan stock.

First National Finance Corporation—T. J. B. Wrigley, director, acquired an option to subscribe for 260,000 shares at 89p. L. Maxted, director, acquired an option to subscribe for 200,000 shares at 89p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Dalgety, Heelamat, Manganese Bronze, Our Price, Press Tools, Priest Marians, Protimeter.

Finals:—A. and P. Appledore, Craton Lodge and Knight, George Dew, Manchester Ship Canal, Nottingham Manufacturing, Newmarket.

FUTURE DATES

Interims:—

Cope Allman International	Feb 19
Fleet Holdings	Feb 18
Quest Automation	Feb 15

Finals:—

Juliana's	Apr 16
Killinghall (Rubber) Dvlpmnt. Syndicate	Feb 14
NatWest Bank	Mar 5
Novo Industries	Mar 7
Sharpe and Fisher	Mar 14

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
100	F.P.	8/3	135	128	Alexandra Work. 10p	128	−2	bg4.5	2.5	5.0	11.4
§10	F.P.	8/2	14	12	❂B'nnett&Fount'n1p	14	...	bg0.42	1.8	4.3	18.9
§90	F.P.	—	130	112	❂Bluebird Toys 10p	130	...	u3.15	2.3	3.5	18.3
§105	F.P.	15/3	106	104	❂Cons. Tern. Invs.10p	104	...	ud6.0	2.0	6.9	18.3
**	F.P.	1/2	26	21	Jap.AssetsTst War'nts	24	+½	—	—	—	—
§ §	F.P.	—	325	300	❂Memcom Intl. 10p	300	−18	3.5	4.1	1.7	18.2
§55	F.P.	6/2	57	46	❂Optometrics(U.S.A.)	48	...	Q2c	—	3.6	—
100	75	1/3	84	77	Pacific Assets Tst.50p	84	+½	—	—	—	—
§58	F.P.	13/2	95	82	❂Spafax Television	94	−1	b2.0	2.8	3.0	17.1
§174	F.P.	1/3	225	200	❂Synapse Comp'r. 5p	218	−2	bgd1.8	5.1	1.0	28.5
§95	F.P.	8/3	138	120	❂Whitworth'sFood5p	125	...	ud2.0	1.6	2.3	28.3

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
91.574	£50	10/4	34¼	27	African Dev. Bank 11⅛% Ln. 2010	31¼	+½
§101	£51	15/2	54	50	Felixstowe Dock Prf. Units †	51	...
§	F.P.	22/3	102¾	99	Greycoat Offices 12.55% Uns. Ln. 1998-02	102	+½
98.31	£50	19/6	30½	24	Int.-Am. Dev. Bk. 9⅞% Ln. 2015	28¼	...
¶99.199	£25	15/3	29⅞	24½	Lon. Shop Prop. 11⅞% 1st Mort. Deb. 2015	25¼	+½
¶¶	Nil	15/2	11pm	8pm	Mountleigh 9¾% Conv. Unsec. Ln. 2005	8pm	−2
—	F.P.	—	99⅝	98⅝	Nationwide Bldg. Soc. 12% 3/2/86	99⅝	+¼
§	Nil	—	12pm	7½pm	Polly Peck Intl. 9% Cv. Un. Ln. '03-08	12pm	+2
§£11	Nil	15/2	12pm	10pm	Shires Inv. Units ‡	11pm	...
91.976	£20	27/3	24½	17½	Sweden 11% Ln. 2012	21¼	...

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −
370	Nil	—	98pm	93pm	Bunzl	93pm	−5
88	Nil	22/3	30pm	24pm	First Castle 10p	24pm	...
150	Nil	19.3	14pm	11pm	McCorquodale	13pm	...
Ir.1‡	F.P.	4/2	19	15	❂Memory Computer 10p	15	...
80	Nil	—	16pm	13pm	Newman-Tonks	13pm	−1
38	F.P.	11/2	45	42½	Premier Cons. 5p	45	...
650	Nil	21/3	375pm	160pm	Samuelson Grp. $1	340pm	−35
17	F.P.	1/2	27	19½	Walker (C. & W.) 15p	27	...
$2.9cb	Nil	1/3	72pm	60pm	Westpac $A1	68pm	−2
12½	Nil	—	13pm	10pm	Westwood Dawes 'B' 12½p	12pm	−1

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▦ Allotment letters or fully paid. ‖‖ Introduction. ❂ Unlisted Securities Market. § Placing price. ⁋ Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Anglo Amer. Gold	Mar 8	Final 525 cts
BP	Mar 16	Final 17.0
BTR	Mar 14	Final 4.6
*Barclays	Mar 7	Final 12.6
Barratt Devs	Mar 13	Interim 2.31
Bejam	Mar 15	Interim 1.75
British Vita	Mar 5	Final 3.0
Cadbury Schweppes	Mar 8	Final 3.9
Cement Roadstone	Mar 14	Final 1.5
*Cons. Gold Fields	Mar 5	Interim 8.5
Consolidated Plantations	Mar 1	Interim 8 sen
Corah	Mar 8	Final 2.2
*Dalgety	Feb 11	Interim 11.0
*De Beers	Mar 12	Final 25c
Fisons	Mar 6	Final 9.0
*Fleet Hldgs	Feb 18	Interim 1.75
GKN	Mar 14	Final 5.0
General Accident	Feb 29	Final 11.0
General Mining	Mar 9	Final 135cts
*HK & Shanghai Bank	Mar 12	Final $0.37
Horizon Travel	Mar 14	Final 4.457
*ICI	Feb 28	Sec int 14.0
IMI	Mar 12	Final 2.5
*Imperial Grp	Feb 14	Final 5.06
Lasmo	Mar 13	Final 7.0
Marley	Feb 29	Final 2.0
Midland Bk	Mar 8	Final 14.5
Mills and Allen Intl.	Mar 18	Interim 4.0
Mitchell Cotts	Mar 1	Final 19.8
*NatWest	Mar 5	Interim 3.5415
News Intl	Mar 5	Final 4.85
*Notts Manuf	Feb 11	Interim 2.5
*Peachey Prop.	Feb 19	Final Fl 1.20
Provident Financial	Mar 6	Final 6.0
Ransom Sims and Jefferies	Mar 6	Final 10.0
Rowntree Mackintosh	Mar 14	Final 6.55
Royal Dutch	*Mar 15*	*Final Fl 5.40*
*Royal Insce	Mar 4	Final 18.0
*Securicor	Feb 13	Final 1.0
Sedgwick	Mar 15	Final 5.25
Shell Transport	Mar 15	Final 15.9
Sime Darby	Mar 3	Interim 4 sen
Steetley	Mar 12	Final 7.0
TI	Mar 15	Final 7.5
Transport Dev.	Mar 15	Final 3.5
Ultramar	Mar 14	Final 11.0
Unilever	Mar 6	Final 20.29
United Biscuits	Mar 15	Final 4.3
Vantona Viyella	Feb 7	Final 5.0
*Vickers	Feb 25	Final 5.0
*Wagon Finance	Feb 14	Final 1.875
Wolseley-Hughes	Mar 12	Interim 5.35

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

INSURANCE

Citicorp treads warily in the life market

WHEN Citicorp, the U.S. banking group, announced in its annual report last year that it had received permission from the Federal Reserve Board to transact life business in Britain, speculation grew that it would be bidding soon for a leading British life company. It clearly had the resources for such an acquisition.

The share prices of Sun Life Assurance and Equity and Law Life Assurance Society, two British life companies which would fit Citicorp's requirements, have fluctuated since as takeover rumours grew and died.

However a press interview in London last week by Mr Hans Angermuller, Citicorp's vice-chairman, should have scotched speculation that the company was poised to swoop.

In outlining Citicorp's strategy, Mr Angermuller reaffirmed the company's intention to enter the insurance market. Insurance was second only in size to banking in the financial services sector.

The ultimate aim was for Citicorp to provide all its customers, individual and institutional, with a complete range of financial services and that meant providing a full insurance service, he said.

The Fed effectively blocked Citicorp, and other banks, from underwriting insurance risks in the U.S. unless they were directly tied to banking activities. It took a more benign attitude towards insurance marketing and, because of the lesser risks, insurance distribution, a field in which Citicorp has experimented in some U.S. areas.

Insurance in the U.S. is traditionally the most regulated in the world with few opportunities to expand. The Fed takes the attitude that banks should compete on equal terms with the same facilities as local banks.

Banks in Britain can—and some do—have life insurance sibsidiaries so Citicorp was given permission to underwrite life business here—and in West Germany, Belgium and Australia.

Having obtained this permission, Citicorp has been in the throes of deciding how to proceed. It has the necessary insurance company—Citibank Assurance—to expand its life insurance here. This company is a subsidiary of Citibank Savings, the British banking operation acquired several years ago and until now kept on the shelf. Since the beginning of this year, theinsuranc e company has been trading actively, though on a very small scale.

Citicorp is considering how to expand the operations of Citibank Assurance and Mr Angermuller accepts that internal growth of insurance companies is a slow process wsich consumes capital, not that the latter consideration is any bar to the company.

The alternative—acquiring an existing British insurance company—is ruled out for the moment by Mr Angermuller. "There are too many fancy prices being asked for UK life companies," he said.

Mr Angermuller feels that now is not the time to get too involved in an insurance distribution system here which shows every sign of soon being radically cut.

In this respect, he appears to be looking further into the future than many commentators and most traditiona life companies in Britain. These are expanding their marketing outlets beyond the traditional independent intermediary by setting up their own direct sales forces.

Moves towards electronic sales methods, integrated financial services and palstic card credit systems, which woud lead to a cut in direct sales, are being eschewed by most British life companies.

Citibank Savings already has established links with British life companies to market and distribute their house mortgage and small business loans, using the marketing outlets of those companies. Although Mr Angermuller's aim is for Citibank Savings to provide all the services and thus keep all the profits for its shareholders, he is not ready to upset a system which is working well until he has a satisfactory replacement.

In property and casualty insurance, Citibank Savings has moved into the marketing and distribution side by acquiring the insurance broking operation Grindlay, Brandts. Citibank is considering whether to make other acquisitions. Here again high prices are being asked for insurance broking operations.

Mr Angermuller is not anxious to get into underwriting of this busines and thankful that the Fed prevents him even considering it in the U.S.

Eric Short

APPOINTMENTS

Executive posts at Eschmann Bros. and Walsh

Mr Paul Battersby has been appointed managing director of Eschmann Bros. & Walsh, part of the GLAXO GROUP. He succeeds **Mr Jim Everitt**, who has left to take up an appointment at Vickers Medical. Mr Battersby, who also assumes responsibility for the healthcare division of Eschmann, joined the company in April 1982 as director and general manager of the equipment division, a post now taken by **Mr Fred Meek**, previously commercial manager of that division.

★

HONEYWELL INFORMATION SYSTEMS has appointed **Mr Terry Christy** the director of its new integrated services division. Mr Christy, who has been London region manager of Honeywell's commercial construction division for the past two years, takes up his new post on February 15.

★

JOHN LAING has announced the formation, within John Laing Construction, of LAING MECHANICAL CONSTRUCTION SERVICES as a specialised activity to further develop and expand their activities in mechanical engineering. **Mr Oliver Whitehead**, a director of John Laing, becomes chairman and **Mr Nigel Pitcher** has been appointed managing director.

★

Mr T. R. Keens has been appointed a non-executive director of HOME COUNTIES NEWSPAPERS HOLDINGS and of HOME COUNTIES NEWSPAPERS. He was for many years senior partner in Keens Shay Keens & Co., the compnay's auditors, until his retirement.

★

Mr Peter Allsop, chief mining engineer of the National Coal Board's North Yorkshire area, has been elected national president of the INSTITUTION OF MINING ENGINEERS.

★

Mr J. C. Burke-Gaffney, currently with Shell International Petroleum Co., has been appointed director general of the BRITISH RED CROSS SOCIETY to succeed **Mr D. J. Piggott**, who retires in September.

★

DUNCAN C. FRASER & COMPANY, consulting actuaries, has appointed **Mr Peter Felton** as joint senior partner and **Mr Martin Moule** has become a partner.

★

BUCKMANS has appointed **Mr Phil Shohet** to their board. He was commercial director at the Institute of Chartered Accountants in England and Wales.

★

Mr. M. G. Packe, financial controller of the Britannia Arrow Group, has been appointed a director of NATIONAL EMPLOYERS' LIFE ASSURANCE.

★

OILFIELD INSPECTION SERVICES GROUP has appointed **Mr John A. Mills** as non-executive chairman, enabling the principal executive directors, **Mr Colin Seward** and **Mr Allan Cull**, to concentrate fully on their executive roles. Mr Mills recently relinquished the post of group managing director of Molins but retains a non-executive director with similar positions on the boards of Powell Duffryn and Thrissel.

★

Mr Eugeen Cleemput has been appointed general manager of the new London branch of KREDIETBANK NV. Previously has was manager of the foreign division at the Brussels head office.

★

HARRIS & DIXON (Insurance Brokers), Lloyd's brokers, has appointed **Mr C. A. Graham** as chairman. **Mr. M. W. Pragnell** becomes president and **Mr D. P. Donetll** remains chief executive.

★

Mr David E. Owen, Clarkson Puckle & Tiley, Bradford and **Mr Greg F. Smith**, Clarkson Puckle North West, Ashton-under-Lyne, have been appointed to the board of CLARKSON PUCKLE UK.

★

Three appointments have been made by J. D. WILLIAMS. **Mr Barry E. Whitchurch** joins as operations director. He was distribution manager for Halfords. **Mr Alan White** joins as finance director of J. D. Williams and company secretary of N. Brown Investments, the parent company. Mr White was with Arthur Anderson, prior to joining Sharp Electronics UK as general manager, finance. The third appointment gives promotion to **Mr Iain S. MacFarlane**, formerly computer manager.

★

Sir Charles Troughton, at present a vice-chairman, has been appointed deputy chairman and **Mr. George Craig**, at present group managing director, has in addition been appointed a vice-chairman of WILLIAM COLLINS.

★

Mr John Coleman has become a managing director of Rapier Design & Productions, CHARLES BARKER GROUP, specialist "below-the-line" company. He joins from the board of Doyle Dane Bernbach.

Mr Ian Cochrane has been appointed joint managing director of FITCH & COMPANY DESIGN CONSULTANTS. He was financial director.

★

Mr J. R. Gledhill has resigned as chairman, chief executive and director of THOMAS MARSHALL (LOXLEY), and **Mr R. D. Hart** has been appointed chairman.

★

ORCHARD FOOD HOLDINGS, Chelmsford, has appointed **Mr Jim Fyfe** to the board as finance director. He was finance director at Cordon Bleu, the Argyll group's freezer centre operation.

★

Following the retirement of **Mrs I. M. B. Murchie** from the board **Mr Eric Pountain** becomes deputy chairman of BEATTIES.

★

Mr Keith N. T. Holland and **Mr Malcolm J. Higgs** have joined DAVIS INTERNATIONAL BANKING CONSULTANTS as executive directors to establish a capability in human resource development. **Mr Peter R. Allen**, an existing executive director has been appointed deputy managing director. Mr Holland joins from Hay-MSL and Mr Higgs was previously with Arthur Young.

★

QBE INSURANCE (UK) has appointed **Mr Peter Korteland** and **Mr Gordon Brown** to the board.

★

Mr Cliff Passmore has been appointed chairman of NEUROSCIENCE, a new venture capitalised medical instrumentation company. He remains group business director of Kontron Instruments (a subsidiary of Hoffman-Le-Roche).

★

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION has appointed **Mr John D. Nettleton** a director. He is chairman of Time Assurance Society and a director of Wates City of London Properties.

★

Mr Sam Oxford has been appointed chairman of COLOROLL in succession to **Mr Roger Elmhirst**. Mr Oxford has been chairman and chief executive of Magnet and Southerns since it was formed by merger in 1975. Commenting on his appointment, Sam Oxford said: "I am due to step down as chairman of Magnet and Southerns when I am 65 in March. I was delighted to receive the invitation to devote part of my time to the chairmanship of Coloroll, during what is likely to be a very exciting period for a very dynamic company."

★

Mr Ian Anderson has been appointed financial director (designate) of the FUTURE COMPUTERS GROUP, Croydon. He joins from Hasler (Great Britain), where he was managing director.

★

Mr Jim Greenhalgh has been appointed managing director of LOCOMOTORS in succession to **Mr Norman Passam** who remains chairman. Locomotors is part of UEI. Mr Greenhalgh is also appointed managing director of the chassis company, Quest '80. He was managing director of the Securicor Group bodybuilding subsidiary Bedwas Bodyworks, prior to which he was general manager of Locomotors.

★

PEGLER-HATTERSLEY has appointed **Mr A. R. Wheeler**, managing director of the group's valve division and **Mr J. A. Hope**, managing director of the building products division to the main board.

★

VOLEX GROUP has moved **Mr Denis Coates** from group export director to divisional sales and marketing director for the accessories division.

★

Mr Brian Hayden, currently systems and administration director of HENRY WIGFALL AND SON, has been appointed operations director with additional responsibilities for retail activities, personnel matters and service. **Mr David Annat** as marketing and merchandise director takes additional repsonsibilities for distribution and property.

★

WARNER-LAMBERT (UK) has appointed **Dr Robin Kingswell** as medical director with a seat on the board.

Closing prices, February 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.4	16	242	21	20	20	−⅞
26	9¾	AGS			12	14	16	15¾	16	
17⅞	13⅛	AMF	.50	3.1	90	1199	16¼	15¾	16¼	+ ½
39¾	24¾	AMR			8	3298	37⅛	36½	37	+ ⅜
20⅞	16¼	AMR	pf2.18	11.		11	20	19⅝	19⅝	−¼
39⅛	27½	AMR	pf2.12e	5.8		44	37	36½	36¾	+ ¾
25⅜	22⅞	ANR	pf2.67	11.		11	25⅜	25⅛	25⅜	−⅜
14⅞	8½	APL			3	5	11½	11½	11½	−⅜
68¾	44¼	ASA	3	6.1		551	50¼	49	49¼	−1⅜
27	16	AVX	.32	1.3	15	389	24⅞	23¾	24	−½
48¾	36¾	AbtLab	1.20	2.5	14	3721	47⅞	46¾	47⅞	
25⅞	16½	AccoWd	s.44	1.7	20	59	25⅞	25⅛	25¼	
24½	12½	AcmeC	.40	2.1		216	18⅞	18⅛	18⅞	+ ¼
11½	8¼	AcmeE	.32b	3.1	13	111	10½	10¼	10⅜	+ ¼
17⅞	15	AdaEx	2.11e	13.		88	16¼	16½	16⅝	−⅛
18⅞	11⅞	AdmMl	.32	1.7	10	169	18⅞	18⅛	18⅞	+1
18½	8⅝	AdvSys	.61t	6.2	21	64	13	12¾	13	+ ¼
41⅞	25⅛	AMD			14	4496	35	34¾	34½	−⅜
12¾	6⅝	Advest	.12	1.0		x527	11½	11	11⅞	+ ⅝
13⅞	6¾	Aerflex			14	68	u14¾	13⅞	14¼	+ ⅜
42⅞	27¼	AetnLf	2.64	6.4	34	1965	41⅞	41	41¼	+ ⅛
58¾	52⅞	AetL	pf5.87e	11.		656	55¾	55⅛	55½	−⅛
32⅛	15⅞	Ahmns	1.20	4.1	17	1692	29⅞	28⅞	29½	−⅛
4⅞	2⅞	Aileen			31	65	3⅛	3	3⅛	
50	36½	AirPrd	1.20	2.5	11	673	48⅞	48⅛	48½	−⅛
26	13	AirbFrt	.60	2.6	13	x255	23¼	22½	22⅞	+ ⅛
2	⅞	AlMoa	s		25	43	1⅞	1¾	1¾	−⅛
27⅛	21	AlaP	pf2.94e	12.		10	25½	25½	25½	−⅛
31⅞	26⅛	AlaP	pfA3.92	12.		9	u31½	31⅞	31½	+ ⅜
7½	6	AlaP	dpf.87	12.		31	7½	7⅜	7⅜	−⅛
73	61½	AlaP	pf 9	12.		z350	72¼	72	72¼	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28¾	20¾	AshlOil	1.60	5.6		100	29	28⅝	28½	−⅛
42½	33⅝	AshlO	pf4.50	11.		2	41¾	41¾	41¾	+ ⅛
40¼	31½	AshlO	pf3.96	10		7	38⅝	38¼	38¾	
61½	45⅛	AsdDG	2.60	4.5	9	745	57⅛	56½	56⅞	−¼
98	73	AsdD	pf4.75	5.2		19	92¼	91	91	−1¼
25¾	18⅞	Athlone	1.60	7.1	11	1	22⅝	22⅝	22⅝	−¼
25¼	19⅞	AtCyEl	2.48	9.9	8	99	25⅛	24⅞	25	−⅛
52½	40⅝	AtlRich	3	6.5	20	x6980	45⅞	45⅛	45¾	
125	97	AtRc	pf2.80	2.6		z4	108¼	108	108¾	
20	11⅞	AtlasCp				29	15¼	14¾	16	+ ⅛

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, February 8

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 20

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	15⅝	WshNat	1.08	4.0	14	413	u27½	26⅞	26⅞	−⅛
20⅝	16	WshWt	2.48	12.	8	137	u20⅝	20¼	20⅝	
50¼	27¼	Waste	.80	1.6	18	1213	50½	49⅝	49¾	−⅞
27	18	WatkJn	.32	1.1	13	263	u28¼	27	28¼	+1¼
13½	8¾	WayGos	.20	1.8	11	49	10⅞	10⅝	10⅞	+⅜
27¼	20¼	WayG	pf1.60	7.3		10	22	21¾	22	+⅛
8¾	4	WeanU				628	u10	9¼	9⅝	+½
23⅞	12⅛	WebbD	.20e	.9	15	1195	22	21½	22	
37¼	29⅝	WeisMk	.70	2.0	13	20	35⅝	35½	35½	−⅛
54	30⅞	WellsF	2.16	4.0	8	570	53¾	53⅛	53¾	+⅛
50	40	WelF	pf5.03e	11.		900	47⅝	47⅛	47⅛	+¼
28¼	22⅞	WelFM	2.80	10.	12	210	27⅛	26½	27	+¼
20⅞	13¼	Wendy	s .28	1.5	16	4615	19⅛	19	19¼	+⅛

Continued on Page 22

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begin with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER *Nasdaq national market, closing prices, February 8*

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Continued on Page 23

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 21

[illegible]

NEW YORK

Continued from Page 21

[illegible]

CANADA

1984-85 High	Low	Stock	Feb. 8
27	17½	AMCA Intl	20
35½	24½	Abitibi	35½
20⅛	10½	Agnico Eagle	13⅛
23¼	18	Alberta Energy	20½
50¾	32¼	Alcan Aluminium	41⅜
30⅝	16½	Algoma Steel	22½
21	16	Argen Inc	17
28¾	21¾	Bank Montreal	27¼
15⅜	10⅛	Bank Nova Scotia	13¾
37¾	29¼	BCE	36¾
23	15¾	Bombardier	22¼
25⅝	15½	Bow Valley	17⅝
28⅞	20¾	BP Canada Res.	26⅝
48⅛	28⅞	Brascan A	35¼
2.93	1.66	Brinco	1.75
14⅛	8½	B.C Forest	11¾
33⅝	23⅞	CIL Inc	29⅛
16¾	10⅜	Cad[illegible] c Fairview	15¼
38	21⅜	Cambell Red Lk.	23⅞
16¼	11⅛	Can. Cement Pt.	11¾
34⅛	21⅛	Can. NW Energy	23¾
30⅜	22	Can. Packers	30⅝
33½	19¼	Can. Trustco	33⅛
31⅞	22¼	Can. Imp. Bank	31¼
59	37¼	Can. Pacific	58¾
28	18⅞	Can. Pac. Ents	27¾
15⅝	8⅝	Can. Tire C	10¼
23¾	9⅝	Canfor	11¾
22⅞	13⅞	Carling O'Kfe	14⅞
22	12⅞	Chieftain	13⅝
20⅝	11⅞	Cominco	14¼
10	4⅛	Conigas Mines	4.50
31½	14	Cons. Bathst. A	18¼
3.20	0.57	Copper Lake	0.60
16	5⅝	Coremark Intl	7½
10¾	7⅝	Costain	9¼
23¼	13¼	Denison Mines A	15¼
28¾	17½	Dofasco	27¾
20⅞	8⅜	Dome Mines	11
4.5	2.02	Dome Petroleum	53.1
39¼	29½	Domtar	39¼
95¼	56	Falconbridge	95¼
22	16	Fed. Inds A	21⅛
26⅞	18	Grendis A	26⅞
35	19⅜	Genstar	33½
26¾	11	Giant Y'knife	12
3.85	2.75	Gt. West Life	3.30
19¾	14½	Gulf Canada	18⅛
21⅝	15⅞	Hawker Sid. Can.	21½
24	17	Hudson's Bay	18⅞
15	9¾	Husky Oil	11¼
53⅜	31⅞	Imasco	53⅜
47¾	33¾	Imperial Oil A	47½
19	11½	Inco.	18⅛
14¼	10	Indal	14¼
38⅜	25⅝	Int. Pipe	33¾
25¼	17½	Labatt (John)	25
37¼	23¾	Lac Minerals	27½
20⅛	13¾	Loblaw	19⅞
34⅝	23¼	Macmil. Bloedel	26¾
6½	6	Marks & Spencer	7
7.5	3.05	MasseyFerguson	3.80
43⅝	25¾	Mcintyre Mines	45
20⅜	5⅞	Mitel Corpn.	9⅞
23	15¾	Molson A	16⅞
68¼	44¾	Moore Corp	68¼
8½	4⅛	Nat. Sea Prods A	6
27⅜	17⅛	Noranda Inc	20¾
19⅞	14	Norcen Energy	14⅜
54⅝	39½	Nth. Telecom	54½
7⅞	6⅛	Nova Alberta	7¼
17⅝	12⅛	Numac Oil	15
9½	4.75	Oakwood Pet	4.85
29½	22¼	Pan Can Pet	28¼
26½	17⅝	Placer Dev	25¼
29½	17⅞	Power Corp	28⅛
9¼	3.30	QuebecSturgeon	3.30
13⅜	5¾	Ranger Oil	6⅞
22⅛	11	Reed Stenhs	21⅞
24⅛	14	Rio Algom	23⅝
35¼	25⅛	Royal Bank A	31⅛
19⅛	11¼	Royal Trust A	19⅛
7¼	4.80	Sceptre Res	6¼
57⅛	39⅞	Seagram	57⅛
11⅜	6⅞	Sears Can. Inc	7⅞
26½	21	Shell Canada Oil	23¾
33⅛	19⅝	Stelco	23⅜
12½	7⅜	Teck B	12
41	33⅝	Texaco Canada	34
54	37	Thomson New	53¾
19⅜	13⅝	Toronto Dom. Bk	19
24⅝	20	TransaltaA	23⅜
23⅝	14¾	Trans. Can. Pipe	22⅝
28⅞	21	Walker Hiram	26⅞
15⅝	13	Westcoast Tra	15
81	64	Weston (Geo.)	80½

AUSTRIA

1984/85 High	Low	Feb. 8	Price %
230	202	Credit'stalt Pfd.	230
390	318	Goesser	385
429	381	Interunfall	429
229	205	Laenderbank	226
389	300	Perimooser	339
167	139	Steyer—Daimler	155
302	205	Veitscher Mag	302

BELGIUM/LUXEMBOURG

1984/85 High	Low	Feb. 8	Price Frs.
2,085	1,670	B.B.L.	1,845
5,600	4,865	Banq. Int. A. Lux	5,600
5,000	3,105	Bekaert B.	4,950
2,800	2,010	Ciment CBR	2,695
328	175	Cockerill	262
6,800	4,750	Delhaize	6,800
2,920	2,290	EBES	2,780
8,800	5,850	Electrobel	8,110
2,425	1,800	Fabrique Nat.	2,060
3,595	2,870	GB Inno BM	2,870
2,800	1,966	GBL (Brux)	2,025
3,935	2,970	Gevaert	3,700
6,480	4,860	Hoboken	5,930
3,000	1,805	Intercom	2,060
7,740	6,280	Kredietbank	7,740
11,000	8,950	Pan Hldgs	11,000
8,210	6,010	Petrofina	7,140
10,500	7,320	Royale Belge	10,300
3,500	2,885	Soc. Gen. Banq	3,220
1,940	1,565	Soc Gen. Belge	1,815
8,340	5,190	Sofina	7,200
4,500	3,430	Solvay	4,040
1,520	1,050	Stanwick Intl.	1,480
4,300	3,125	Tractionel	3,900
5,490	3,940	UCB	4,790
2,670	1,865	Wagon Lits	2,430

DENMARK

1984/85 High	Low	Feb. 8	Price Knr. %
362	216	Andelsbanken	291
720	510	Baltic Skand	590
350	207	CopHandelsbank	292
650	460	D. Sukkerfab	535
335	205	Danske Bank	290
1,900	930	De Danske Luft	1,210
218	129	East Asiatic	168
7,250	720	Forenede Brygg.	805
[illegible]	[illegible]	[illegible]	92

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FRANCE

[illegible]

GERMANY

1984/85 High	Low	Feb. 8	Price Dm
118	90	AEG-Telef	116.3
1,075	607.5	Allianz Vers	1050xr
185.9	146.5	BASF	184.4
195.7	152.2	Bayer	195.7
340	247	Bayern-Hypo	322
356	287	Bayern-Verein	327
316	219	BHF-Bank	280
463	290.5	BMW	361
247.5	187.5	Brown Boveri	187.5
190	136.6	Commerzbank	167.5
141.4	107.4	Conti Gummi	122
658	516	Daimler-Benz	636
412	338	Degussa	369
192.5	136.5	D'sche Babcock	166
405.7	302.1	Deutsche Bank	402.7
197.8	138.5	Dresdner Bank	189.2
172.8	126.5	GHH	162.5
625	450	Hochtief	470
195.5	155.5	Hoechst	190
132.5	87.5	Hoesch Werke	108.7
465	349	Holzmann (P)	399.5
203	161	Horten	166
312	210	Hussel	298
283	206	Karstadt	206
269.8	188	Kaufhof	211
284.5	212	KHD	251.5xr
82.1	47.9	Kloeckner	81.5
418	336	Linde	405
196.5	133	Lufthansa	187
169.5	125	MAN	168
158.6	131.5	Mannesmann	154
605	449	Mercedes Hld	555.5
249	200	Metallgesell.	234.8
1,399	910	Muench Rueck	1165
648	468	Nixdorf	636.5
1,115	918	Porsche	1103
288	216.5	Preussag	255
188.8	125.5	Rhein West Elect	162.5
291	238	Rosenthal	260
483	317	Schering	481
516	353.5	Siemens	544.5
98	69.3	Thyssen	98
198	160	Varta	184
185	159.5	Veba	168.6
127.9	108.5	V.E.W	122.5
335	285	Verein-West.	310
231.8	163	Volkswagen	195

NORWAY

1984/85 High	Low	Feb. 8	Price Kroner
190	140	Bergens Bank	172.5
435	215	Borregaard	435
190	139	Cristiania Bk	164
188.5	142	Den Norsk Credit	167
187.5	105	Elkem	154.5
211	152.5	Kvaerner	211
435	252	Norsk Data	435
137.5	95	Norsk Hydro	112
272.5	172	Storebrand	242.5

ITALY

1984/85 High	Low	Feb. 8	Price Lire
19,750	14,100	Banca Com'le	19,150
194	89	Bastogi IRBS	185
2,990	1,418	Centrale	2,715
4,655	3,511	Credito Varesino	4,499
4,625	1,675	Fiat	2,520
59	27	Finsider	56.25
40,000	29,050	Generali (Assc.)	40,000
3,485	2,621	Invest	2,925
80,300	40,500	Italcementi	80,300
629	345	La Rinascenti	624
1,515	1,112	Montedison	1,510
6,650	3,865	Olivetti	6,650
4,395	2,464	Pirelli Co	4,395
2,389	1,419	Pirelli Spa	2,317
2,720	1,336	Snia BPD	2,702
15,910	10,750	Toro Assic	16,900
11,550	8,060	do. Pref	11,550

NETHERLANDS

1984/85 High	Low	Feb. 8	Price Fls
215	153	ACF Holding	197.5
164	107	AEGON	158
236	168.5	Ahold	216.5
122.2	77	AKZO	104.2
445	202	ABN	396
228.5	141.9	AMEV	217
82	51.6	AMRO	74.8
222	144	Bredero Cert.	159.5
82	8.8	Bos Kalis Westm	14.7
87.8	61	Buehrmann-Tet.	85.5
41.5	30.1	Calland Hldgs	33.7
174.5	124	Dordtsche Pet'm	174
121.6	73	Elsevier-NDU nv.	114
95.5	41	Fokker	93.5
183.5	130.7	Gist-Brocades	179.5
158	116	Heineken	157.6
70.5	41.6	Hoogovens	51.8
46.6	32.6	Int-Mueller	41
49.6	30.0	KLM	49.5xc
50.5	34.4	Naarden	48.2
293.5	196	Nat Ned Cert	279.5
198	132	Ned Mid Bank	183
166.8	99.7	Nedlloyd	160.7
304	212	Oce Grinten	304
34.5	24.4	Ommeran (Van)	28.2
77	53	Pakhoed	67.5
60.3	41.7	Philips	60.2
74.7	58.3	Robeco	74.7
139	130.1	Rodamco	137.2
68.3	55.3	Rolinco	68.3
44.2	39.6	Rorento	43.5
196.2	136.2	Royal Dutch	195.3
339.6	232.5	Unilever	339.6
147	90	VMF Stork	145
221.5	137	VNU	213.5
146.5	72.5	West Utr Bank	104.3

SWEDEN

1984/85 High	Low	Feb. 8	Price Kronor
400	330	AGA	372
302	170	Alfa-Laval	198
480	280	ASEA (Free)	360
540	300	Astra (Free)	420
141	95	Atlas Copco	113
531	205	Cardo (Free)	275
192	114	Cellulosa	129
309	215	Electrolux B	309
390	244	Ericsson	302
370	250	Esselte	320
375	218	Mo Och Domsjo	271
247	153	Pharmacia	217
509	310	Saab Scania Free	450
425	310	Sandvik	388
425	257	Skandia	305
75	50.0	Skan Enskilda	55.5
222	154	SKF	198
197.5	145	St. Kopparbergs	163
237	169	Sven Handelsbn.	179
380	215	Swedish Match	243
303	189	Volvo B (Free)	298

SWITZERLAND

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SPAIN

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AUSTRALIA

1984/85 High	Low	Feb. 8	Price Aust. $
6.93	4.27	ANZ Group	4.75
1.09	0.60	Alliance Oil Dev.	1.05
2.11	1.40	Ampol Pet	1.77
1.05	0.75	Ashton	0.79
2.0	1.65	Aust. Cons. Ind	1.9
3.4	2.35	Aust Guarantee	2.6
2.75	1.90	Aust.-Nat. Inds	2.63
2.55	1.80	Aust. Paper	2.5
6.40	3.90	Bell Group	6.2
8.90	3.50	Bell Res.	4.8
1.72	1.15	Bond Corp Hldgs	1.25
4.00	3.02	Boral	3.33
2.72	1.42	Bougainville	1.86
3.75	2.50	Brambles Ind.	3.71
4.62	2.05	Bridge Oil	2.2
6.06	4.66	B.H. Prop	6.18
6.20	4.46	CRA	5.2
4.28	2.7	CSR	3.0
4.56	3.82	Carlton & Utd	4.30
5.56	4.08	Castlemaine Tys	4.72
4.24	3.50	Coles (G.J.)	4.05
3.22	2.00	Comalco "A"	2.40
1.30	0.37	Consolidated Pet	0.5
1.6	1.10	Costain Aust.	1.3
2.22	1.45	Dunlop Aust.	2.18
3.53	2.33	Elders IXL	3.06
1.80	1.30	Energy Res.	1.43
2.40	1.85	Gen. Prop. Trust	2.2
3.95	2.88	Hardie (James)	3
3.5	1.90	Hartogen Energy	2.25
4.55	2.95	Herald W'y Times	4.02
2.35	1.75	ICI Aust.	1.96
0.48	0.18	Jimberlana F.P.	0.3
0.20	0.1	Kiaora Gold	0.12
6.5	4.60	Lend Lease	6.7
3.98	2.22	MIM	2.56
4.86	2.12	Mayne Nikless	3.18
2.15	1.69	Myer Emporium	1.95
3.92	3.00	Nat. Aust. Bank	3.62
12.80	8.0	News	12.5
1.85	1.29	Nicholas Kiwi	1.85
3.32	1.90	North Bkn Hill	2.11
1.11	0.61	Oakbridge	0.64
1.48	0.9	Pancont'l	1.05
2.09	1.1	Pioneer Conc	1.67
5.10	2.5	Posiedon	2.8
1.35	0.94	Queensland Coal	1.34
3.25	2.4	Reckitt & Coln	3.22
1.40	1.06	Repco	1.16
8.20	5.14	Santos	5.34
4.40	3.20	Smith (Howard)	3.75
2.48	1.55	Thos. Natwide	2.06
5.9	4.98	Tooth	5.9
4.05	2.55	Vamgas	3.45
4.45	2.50	Western Mining	3.2
4.08	3.38	Westpac Bank	3.5
1.35	0.85	Woodside Petrol.	0.86
3.86	2.2	Woolworths	3.4
3.82	3.15	Wormald Intl	3.3

SINGAPORE

1984/85 High	Low	Feb. 8	Price $
3.14	1.5	Boustead Hldgs.	1.72
3.14	2.42	Cold Storage	2.61
10.70	4.96	DBS	6xa
6.00	4.62	Genting	6.5
2.91	1.89	Haw Par. Bros	2.33
4.74	2.87	Hong Leong Fin.	3.28
3.65	2.31	Inchcape Bhd.	2.66
3.65	1.4	Keppel Shipyard	1.71
10.40	5.36	Malay Banking	6
3.32	2.2	Malay Utd. Int.	2.29
2.27	0.89	Multi Purpose	0.92
11.80	8.5	OCBC	9.25
5.05	3.04	OUB	3.96
2.53	1.62	Public Bank	1.68
2.87	1.63	Sime Darby	1.94
6.85	5.7	Singapore Press	6.5
6.95	4.22	Straits Trdg	4.58
3.99	2.65	Tate Lee Bk.	2.78
5.90	4.12	UOB	4.5

JAPAN

1984/85 High	Low	Feb. 8	Price Yen
1,270	960	Ajinomoto	1,060
2,860	1,850	Alps Electric	2,060
1,410	985	Amada	1,150
738	485	Asahi Chem	698
928	696	Asahi Glass	865
655	516	Bridgestone	525
1,670	1,070	Canon	1,380
1,870	1,080	Casio Comp.	1,810
1,170	940	Chugai Pharm.	1,050
709	446	Citizen	568
757	620	Daiei	630
1,180	875	Dai Nippon Ptg	935
610	436	Daiwa House	535
390	307	Ebara	344
1,850	965	Eisai	1,680
12,900	7,385	Fanuc	11,220
1,430	500	Fuji Bank	1,320
2,310	1,450	Fuji Film	1,730
1,320	752	Fujisawa	1,120
1,540	1,080	Fujitsu	1,320
2,080	1,490	Green Cross	1,920
453	320	Hasegawa	360
684	527	Heiwa Real Est.	605
1,000	780	Hitachi	868
1,930	1,020	Hitachi Credit	1,050
1,490	989	Honda	1,410
899	671	House Food	680
2,870	1,460	Hoya	2,140
380	274	Itoh (C)	335
2,630	1,740	Ito-Yokado	2,530
2,420	1,180	Iwatsu	1,360
404	318	JACCS	325
5,650	2,460	JAL	5,190
884	710	Jusco	750
330	265	Kajima	270
880	660	Kao Soap	815
761	580	Kashiyama	606
625	510	Kirin	558
1,150	890	Kokuyo	910
545	408	Komatsu	450
765	532	Konishiroku	707
343	295	Kubota	325
620	416	Kumagai	620
8,440	5,250	Kyoto Ceramic	6,700
535	380	Maeda Const.	464
1,650	1,080	Makino Milling	1,300
1,320	887	Makita	1,230
415	265	Marubeni	301
700	535	Marudai	547
1,450	995	Marui	995
2,010	1,350	MEI	1,590
791	602	M'ta Elec. Works	648
1,410	800	M'bishi Bank	1,400
569	501	M'bishi Corp.	523
449	361	M'bishi Elect.	395
606	438	M'bishi Estate	550
273	216	MHI	242
390	321	Mitsui Co.	328
778	589	Mitsui Estate	624
417	334	Mitsukoshi	417
991	620	NGK Insulators	925
232	191	Nihon Cement	221
1,630	1,300	Nippon Denso	1,350
1,540	1,050	Nippon Elect.	1,170
369	280	Nippon Express	330
2,200	600	Nippon Gakki	2,190
152	133	Nippon Kokan	133
1,220	828	Nippon Oil	833
740	490	Nippon Seiko	625
704	500	Nippon Shimpan	530
185	143	Nippon Steel	146
368	304	Nippon Suisan	335
16,500	6,990	NTV	12,000
272	213	Nippon Yusen	240
765	500	Nissan Motor	606
631	410	Nisshin Flour	489
232	156	Nisshin Steel	169
960	614	Nomura	892
1,290	830	Olympus	1,260
4,180	2,400	Orient Leasing	2,900
3,850	2,240	Pioneer	3,120
760	614	Renown	665
1,190	809	Ricoh	890
1,160	665	Sankyo	1,160
586	446	Sanyo Elect.	490
529	358	Sapporo	405
628	540	Sekisui Prefab	557
9,300	7,270	Seven Eleven	8,850
1,410	991	Sharp	1,080
900	486	Shimadzu	791
770	590	Shionogi	712
1,230	945	Shiseido	1,060
4,170	3,200	Sony	4,150
1,160	570	Stanley	900
1,870	800	Sumitomo Bank	1,860
1,000	745	S'tomo Elect.	903
678	255	S'tomo Marine	568
196	145	S'tomo Metal	146
566	438	Taihei Dengyo	466
238	185	Taisei Corp.	198
1,260	871	Taisho Pharm.	1,140
850	665	Takeda	815
7,080	4,500	TDK	5,610
464	336	Teijin	439
725	635	Teikoku Oil	635
782	513	Tokyo Marine	710
915	695	TBS	826
1,800	1,040	Tokyo Elect. Pwr.	1,490
[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

1984/85 High	Low	Feb. 8	Price H.K.$
29.7	17.8	Bank East Asia	24.4
14.3	6.15	Cheung Kong	13.5
15.1	7.5	China Light	14.7
4.35	1.15	Evergo	1.55
49.25	25.9	Hang Seng Bank	46.25
8.05	5.05	HK Electric	7.7
6.1	2.75	HK Kowloon Wh.	6.1
4.52	2.02	HK Land	4.37
9.3	5.2	HK Shanghai Bk.	8.85
61.5	35.5	HK Telephone	59.5
20.6	8.4	Hutchison Wpa	19.9
14.4	5.5	Jardine Math	8.5
6.7	2.25	New World Dev	5.5
2.67	1.95	Orient O'seas	2.57
4.0	2.02	O'seas Trust Bnk	2.7
9.7	4.12	SHK Props	8.9
2.60	1.44	Shell Elect.	1.95
25.6	12.9	Swire Pac A	24.3
6	2.65	TV-B	5.75
4.55	2.85	Wheel'k Mard A	4.55
2.3	1.10	Wheel'k Maritme	1.1
2.6	1.57	World Int. H'ldgs	1.96

SOUTH AFRICA

1984/5 High	Low	Feb. 8	Price Rand
3.2	1.15	Abercom	1.3
9.75	7.15	AE & CI	7.15
66	44	Allied Tech	46.5
44	23.4	Anglo Am. Coal	44
26.65	19.75	Anglo Am Corp	25.75
188	127	Anglo Am. Gold	165
23.5	13.8	Barclays Bank	18.25
14.95	9.60	Barlow Rand	9.8
86.5	55.8	Buffels	64.5
3.6	1.7	CNA Gallo	2.1
5.5	3.1	Currie Finance	3.35
10.9	8.14	De Beers	8.65
56.5	36.5	Driefontein	46.5
61	23	FS Geduld	42.75
33.3	22.5	Gold Fields S.A.	27.55
6.5	3.50	Highveld Steel	4
17.75	9.1	Nedbank	9.85
21.5	12.6	OK Bazaars	13.75
3.60	1	Protea Hldgs	1.3
32	20	Rembrandt	30
17.4	12.65	Rust Plat.	16.1
15.75	11.75	Safren	12
9.5	6.5	Sage Hldgs	6.65
7.9	5.6	SA Brews	6
26.75	17.8	Smith (C.G.)	19
13.00	6.2	Tongaat Huletts	6.2
5.90	4.00	Unisec	4.6

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 22

Indices

NEW YORK

DOW JONES

	Feb. 8	Feb. 7	Feb. 6	Feb. 5	Feb. 4	1984-85 High	1984-85 Low	Since Compiltn High	Since Compiltn Low
♦Industri'ls	1288.97	1290.08	1280.59	1285.23	1290.08	1292.82 (28/1/85)	1088.57 (24/7)	1292.82 (29/1/85)	41.22 (2/7/32)
H'me Bnds	73.99	74.08	74.21	74.06	74.13	74.47 (30/1/85)	64.81 (25/6)	—	—
Transport..	630.09	626.22	617.14	626.11	619.46	630.09 (8/2/85)	444.85 (25/7)	630.09 (8/2/85)	12.32 (8/7/32)
Utilities	150.80	150.75	149.98	149.88	149.57	150.80 (8/2/85)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000-1	116.46	161,730	140,988	143,900	115,720	—	—	—	—

♦Days High 1297.15 (1297.04) Low 1281.36 (1279.81)

	Feb. 1	Jan. 25	Jan. 18	year ago (approx)
Industrial div. yield %	4.72	4.78	4.91	4.55

STANDARD AND POORS

	Feb. 8	Feb. 7	Feb. 6	Feb. 5	Feb. 4	1984-85 High	1984-85 Low	Since Comp'tn High	Since Comp'tn Low
Indust'ls ...	203.80	203.29	201.65	202.01	201.84	203.88 (8/2/85)	167.74 (24/7)	203.88 (8/2/85)	3.52 (30/6/32)
Comp's'te	182.19	181.82	180.43	180.61	180.35	182.19 (8/2/85)	147.82 (24/7)	182.19 (8/2/85)	4.40 (1/6/32)

	Jan. 25	Jan. 15	Jan 9.	year ago (approx)
Industrial div. yield	3.85	4.00	4.15	3.76
Industrial P/E ratio	11.14	10.71	10.51	15.49
Long Gov. Bond yield	11.19	11.51	11.40	11.64

N.Y.S.E. ALL COMMON

Feb. 8	Feb. 7	Feb. 6	Feb. 5	1984-85 High	1984-85 Low
105.38	105.18	104.46	104.42	105.58 (8/2/85)	85.13 (24/7)

Rises and Falls

	Feb. 8	Feb. 7	Feb. 6
Issues Traded	2,017	2,027	2,006
Rises	904	1,103	917
Falls	695	549	664
Unchanged	418	375	425
New Highs	—	(u)	228
New Lows	—	(u)	4

TORONTO	Feb. 8	Feb. 7	Feb. 6	Feb. 5	1984-85 High	1984-85 Low
Metals & Minerals	2162.5	2165.4	2179.2	2176.7	2524.4 (12/1/84)	1641.2 (25/7)
Composite	2612.9	2620.6	2614.5	2605.2	2620.6 (7/2/85)	2079.7 (24/7)
MONTREAL, Portfolio	151.87	152.44	152.21	151.81	152.44 (7/2/85)	100.56 (24/6)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Pet	3,539,200	50⅞	+ ⅛	ITT	1,310,400	33⅝	+ ⅛
Uncal	2,630,000	48⅞	+1	Safeway	1,197,200	31⅛	+2⅛
ATT	2,141,800	21½	—	Tenneco	1,194,800	38	− ⅛
K Mart	1,802,000	36⅛	− ⅛	Exxon	1,130,200	47⅛	+1
Bankamerica	1,316,900	18⅞	− ⅛	Fannie Mae	1,113,800	18⅛	+ ⅛

We regret that due to communications problems this listing is incomplete.

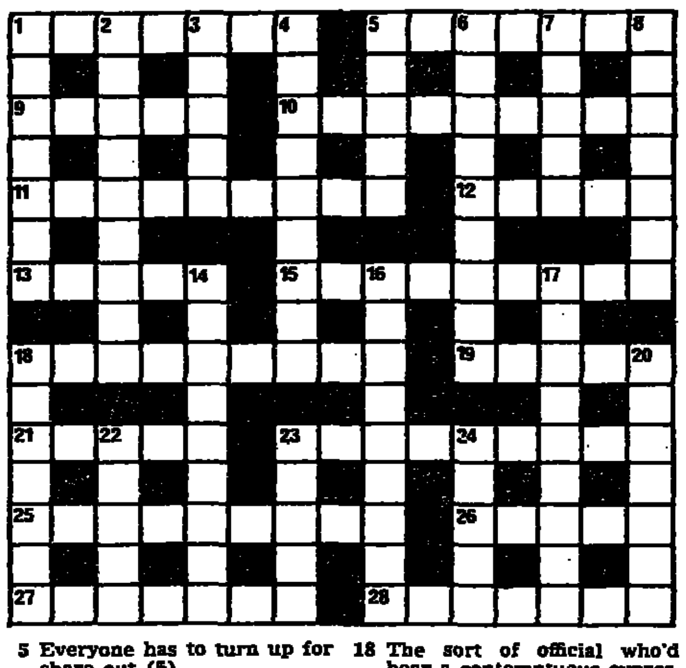
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Int. Leisure Wk.	12.3	13.1	+0.1	—
Prop. Shares	38.9	41.5	+0.1	1.55
Univ. Energy	61.1	65.2	−0.7	0.46
World Tech.	49.4	52.7	+0.2	—
Overseas Funds				
American Growth	91.1	97.2	+0.3	2.80
American Income	54.9	58.6		5.72
Am. Smaller Cos.	24.7	26.3	+0.1	0.40
Am. Spec. Sits	78.8	84.1	+1.3	0.75
Australian Growth	76.0	81.1	−0.7	1.67
Euro Smaller Co Tst	9.5	10.1	+0.1	0.10
Far East	41.8	44.6	+0.2	0.55
Hong Kg. Perfmnce	24.9	26.6	+0.4	2.48
Intl Growth	28.3	30.1	−0.1	2.49
Japan Perf Trust	38.7	41.3	−1.0	—
Japan Smllr Co's Tst	11.6	12.4		—

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,641



ACROSS

1 Attempt to get one across but make sure it fits! (3, 2, 2)
5 It's a race against pain in this case (7)
9 Doubled up: no iodine put in cut (5)
10 Get money out of sandwich and drinks delivery service (4, 5)
11 Bankrupt has accepted it provides a solution (9)
12 Book its ultimately not completed (5)
13 Heath was in charge during that period (5)
15 High command is a difficult assignment (4, 5)
18 Burning wood for each job requires internal approval (5-4)
19 *The area around the club is dry* (5)
21 Flowering effect is best (5)
23 What the seeds say about Jack's partner (9)
25 Burner took a knock and fell on companion (9)
26 The valley gathers in a harvest (5)
27 Sweet little Maid of Honour was watching (7)
28 Can one go into deals making critical comments? (7)

DOWN

1 Term used when leading with team or dealing with meat (7)
2 Used to measure the Metropolitan *Police's beat?* (9)
3 Running in and out, youth takes it all back (5)
4 The second Humber town to lose hospital in reorganisation (6, 3)
5 Everyone has to turn up for share out (5)
6 Sailor is trapped by gear wheel (4, 5)
7 Bloodthirsty sort of yarn by the sound of it (5)
8 Intent on someone taking advantage of the customer (3, 4)
14 Can take off distinguished *personage with affected* manner (9)
16 Do you want an injection quickly? (4, 1, 4)
17 Still a short distance in front (4, 5)
18 The sort of official who'd bear a contemptuous expression (4-3)
20 Acquiring a second income (7)
22 Changing direction has its points (5)
23 Could be uninterested or asleep (5)
24 American turns turtle and fish into carbohydrate (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210
Fund Managers, Touche Remnant & Co

Sel Sec A	26.5	28.0	
Bser Cap	22.6	23.8	+0.2
Fixed Yield	19.5	20.6	
Deposit Fund	16.0	16.9	
Managed	20.9	22.1	
International	28.9	30.5	
Property	17.1	18.3	+0.1
Pacific	21.8	23.0	+0.2
Equity	16.5	17.4	-0.4
Special Sits	25.5	26.9	+0.4
Int Currency	13.9	14.7	+0.4
Index Linked Secs	11.0	11.6	-0.1
American	23.7	25.0	+0.1

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.88	15.57	

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Multi Gwth Feb 6		£314.17%		
Multi Gwth "A" Feb 6	282.7	297.6		
Op 8 Prop Feb 6	264.5	278.7		
Op 8 Equity Feb 6	376.7	396.6	+0.4	
Op Hy Feb 7	266.4	280.5		
Op 8 Man Feb 7	348.3	366.7		
Op 8 Dep Feb 8	201.6	212.3	+0.1	13.12
Op 8 Bond Feb 7	183.7	193.4		
Op 8 Inc Dist Feb 7	144.4	152.0		8.04
Op 8 Inc Man Feb 7	214.4	225.7		
Op 8 US$ Feb 7	168.9	177.8		12.12
Pens 8 Pr Ac Jan 31	347.7	366.1		
Pens 8 Eq Ac Jan 31	1067.6	1123.8		
Pens 8 FI Ac Jan 31	386.4	406.8		
Pens 8 Mid Acc Jan 31	617.9	650.5		
Pens 8 Dp Acc Jan 31	322.1	339.1		
Pens8Gart Globe Jan 31	114.1	120.2		
Pens 8 Gart NA Jan 31	107.2	112.8		
Pens8GartP Jan 31	121.8	128.3		

For Pensions Capital Units please ring ext 2996 or 2961.

Britannia Funds—Series A

Am Smlr Co's	141.6	149.0	+0.9
Am Spec Sits	168.5	177.4	-0.4
Commodity	86.7	91.3	+0.1
Extra Inc	118.0	124.3	+0.4
Far East	116.1	122.3	
Fi Secs	161.0	169.5	+0.4
Gold & Gen	80.0	84.3	+2.7
Inc Growth	161.3	169.8	+0.4

National Provident Institution
48, Gracechurch St, EC3P 3HH 01-623 4200

Managed	201.5	212.2	+0.1
UK Equity	231.9	244.2	-0.1
Overseas Eq.	210.9	222.0	-0.2
American	214.8	226.2	+1.2
Far East	180.2	189.1	-0.7
Property	112.5	118.5	
Fixed Int	160.0	168.5	+0.5
Indexed Gilt	106.5	112.2	+0.3
Deposit	114.3	120.4	

Pension Fund Prices

Man. Initial	203.1	213.8	+0.2
Man Acc.	226.4	238.4	+0.5
UK Eq. Initial	217.3	228.8	
UK Eq.	239.1	251.7	+0.1
Overseas Eq. Initial	232.8	245.1	-0.4
Overseas Eq.	268.6	282.8	-0.4
American Initial	248.2	261.2	+1.7
American	274.3	288.8	+2.0
Far East Initial	230.5	242.7	-1.3
Far East	255.3	268.8	-1.4
Prop. Initial	108.3	114.0	
Prop.	119.7	126.0	+0.1
Fixed Int. Initial	143.1	150.7	+0.3
Fixed Int.	157.5	165.8	+0.3
Indexed Gilt Initial	100.0	105.3	+0.5
Indexed Gilt	110.5	116.4	+0.6
Deposit Initial	113.1	119.1	+0.1
Deposit	125.4	132.1	+0.1

NPI Pensions Management Ltd.

Managed Fund	562.0	576.4

Prices Jan 2. Next dealing March 1

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	374.4	386.2	+1.0
UK Equity	169.6	178.5	+0.8
American	277.7	292.4	+0.1
Pacific	384.6	4004.8	
Property	153.3	161.4	
Gilt	176.5	185.7	+0.1
High Inc. Equity	160.6	169.1	+0.8
High Inc. Fxd. Int.	102.4	107.8	+0.9
Deposit	150.4	158.3	+0.1
Index-Linked Gilt	102.5	107.9	

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

Managed Fund	526.2	553.9	-0.8
Equity Fund	985.2	1037.1	-2.9
Property Fund	266.8	280.8	+0.1

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
22 Sep 22 Mar	Exch 12pc Cnv. '85	99¼	16.8	12.09	14.36
21 Nov 21 May	Treas 3pc 1985	97⅝	15.10	3.07	12.01
15Jan 15Jul	Treas 11½pc 1985	99¾	10.12	11.53	12.13
3 Mar 3 Sep	Treas 8¾pcCnv '85	98¼xd	25.1	8.91	12.08
22 May 22 Nov	Exch. 12¼pc 1985	100¼	16.10	12.22	11.79
25 Aug 25 Feb	Exch. 11¾pc '86	99½xd	21.1	11.75	11.84
11Oct 11Apr	Treas. 10pcCnv 1986	98	4.9	10.20	11.84
19 Nov 19 May	Treas 3pc 1986	93⅜	15.10	3.21	8.51
19 Nov 19 May	Exch. 10½pc Cv '86	98	15.10	10.67	11.63
12Dec 12Jun	Treas 12pc 1986	100⅛	5.11	11.99	11.85
10 Jan 10 Jul	Treas 8¼pc 1984-86‡‡	96¼	4.12	8.83	11.45
29 Apr 29 Oct	Exch. 14pc 1986	103⅜	24.9	13.54	11.71
21 May 21 Nov	Exch. 2½pc 1986	88¾	15.10	2.82	9.52
22Jul 22Jan	Exch. 13¼pc 1987	102	17.12	12.89	11.65
10 Aug 10 Feb	Treas 10¼pcCv '87	97xd	4.1	10.49	11.58
24Aug 24Feb	Exch 2½pc 1987	86xd	18.1	2.88	9.88
6Oct 6Apr	Exch. 10½pc 1987	97	3.9	10.75	11.75
1 Nov 1 May	Funding 6½pc 85-87‡‡	90	25.9	7.19	11.49
12Dec 12Jun	Treas. 10pc 1987	96	5.11	10.35	11.70
14Jan 14Jly	Treas 3pc 1987	85	10.12	3.50	9.78
3May 3Nov	Treas. 12pc 1987	100⅝	27.9	11.93	11.68
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	91	20.12	8.46	11.17
10Nov 10May	Exch 10½pc '88	96¾	4.10	10.85	11.71
14Dec 14Jun	Treas 9¾pc Cv '88	94¾	7.11	10.29	11.70
1Jan 1Jul	Transport 3pc '78-88	81	26.11	3.67	9.45
25 Apr 25 Oct	Treas. 9½pc '88	93	18.9	10.18	11.76
22 Aug 22 Feb	Treas 11½pc 1989	99⅝xd	16.1	11.54	11.63
18 Oct 18 Apr	Treas 9½pc Cnv. '89	92¾	11.9	10.24	11.73
14Dec 14Jun	Treas 10½pc 1989	96	7.11	10.94	11.68
1Feb 1Aug	Exch 10pc 1989	94	27.12	10.63	11.75

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Oct.	Apr.	Magnolia Group	46	17.9	2.5	3.2	7.8	4.5
—		‡Mainmet Hldgs 10p	42	—	—	—	—	—
Apr.	Oct.	Man. Ship Can. £1	255	27.2	5.5	3.5	3.1	13.1
Oct	Apr.	Marley	94	13.8	13.2	2.5	4.9	10.6
Feb.	Oct.	Marling Ind. 10p	61	24.12	103.0	5.6	3.0	7.2
Dec	June	Marshall L'sy. 'A'	40	1.10	†1.2	3.6	4.3	(7.1)
Jan.	July	Marshall's Universal	70	12.11	H1.75	—	3.6	21.1
June	Dec	Do. 7½pcCoRedPf £1	82	10.12	7½%	—	13.1	—
Nov	May	Marton-Black	226	5.79	—	—	—	—
—		♥Mathesons 7¼%	681	30.6	Q7¼%	2.3	19.7	—
Jan.	June	Metal Box £1	410	26.11	†15.0	3.2	5.2	6.6
Nov.	June	Metal Closures	164	17.9	6.3	2.3	5.5	(9.1)
—		‡Metal Sciences 2½p	10	—	—	—	—	—
July	Jan.	‡Midland Marts	83	26.11	4.0	1.8	6.9	10.5
Jan	May	Mitchell Cotts	81½	26.11	4.0	1.5	7.0	11.6
Jan.	July	Morgan Crucible	195	12.11	†7.5	1.2	5.5	19.7
	May	‡Morris (W) F.A. 20p	24	—	bg0.5	4.0	3.0	22.8
Jan.	Aug.	Moss (Robt.) 10p	100	26.11	†12.5	2.3	3.6	14.5
May	Nov	‡NMW Computers	275	15.10	6.0	3.0	3.1	15.3
Mar.	Sept.	Nash Inds.	40	14.1	2.5	1.5	8.9	9.2
Oct.	April	Neil & Spencer 10p	44	9.81	—	—	—	18.9
Jan	July	Newman Industries	22	12.79	—	—	—	(22.4)
Jan July		Do. 10pc Cm.Cnv.Pf	22	12.11	10%	—	6.5	—
April	Oct	Nolton	54	26.11	91.1	4.5	2.9	9.1
Jan.	Aug.	Norcros	165	24.12	†7.5	2.4	6.5	8.7
Oct.	April	Nu-Swift 5p	58	29.10	†2.4	3.2	5.9	7.6
Feb.	Aug.	Oakwood Grp.	90	28.1	4.5	◆	7.1	◆
Jan.	June	Office & Elect	150	29.10	7.5	4.2	7.1	6.9

MINES—Continued

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♥Anglo-Dominion	45	—	—	—	—
—		♥Anglo Utd. Dev.	43	—	—	—	—
—		♥Centennial Min'ls.	265	26.3	—	—	—
—		♥Colby Res Corp.	70	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	500	14.1	†Q100c	1.4	8.9
—		♥Ennex Int. Ir10p	34	—	—	—	—
Sept	Feb	Hampton Areas 10p	190	24.12	3.75	2.1	2.6
—		♥Highwood Res.	180	—	—	—	—
May	Aug	Homestake Mining $1	£21¼	31.10	Q20c	—	0.8
—		♥McFinley Red Lake	215	—	—	—	—
—		♥Mosto Explorations	220	—	—	—	—
—		♥Nea Sabina Res C$1	25	—	—	—	—
October		Northgate C$1	320	9.77	—	—	—
Jan.	July	RTZ	670	29.10	†18.0	2.7	3.8
Jan	July	Do. 9¾pcLn '95-2000	£343½	29.10	Q9¾%	35.4	16.7
—		♥Tara Explo $1	£12½	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	92	+2	Arnott	152	......
Craig & Rose £1	610	......	CPI Hldgs	57	......
Finlay Pkg. 5p	61	......	Carroll Inds.	100	......
Higsons Brew	110	......	Dublin Gas	65	......
Holt (Jos) 25p	840	......	Hall (R. & H.)	47	−2
IoM Stm. £1	134	−1	Heiton Hldgs.	16	......
IRISH			Irish Ropes	55	......
Exch. 12% 1985	£99¾	......	Jacob (W. & R.)	55	......
Nat. 9¾% 84/89	£85	......	TMG	100	......
Fin. 13% 97/02	£89⅞	......	Unidare	83	......

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60		
Babcock	14	'Imps'	18	Brit Land	12
Barclays Bank	48	Jaguar	28	Cap Counties	18
Beecham	32	Ladbroke	24	Land Secs	25
Blue Circle	45	Legal & Gen.	50	MEPC	28
Boots	15	Lex Service	28	Peachey	22
Bowaters	20	Lloyds Bank	45	Samuel Props	14
Brit Aerospace	33	Lucas Inds	25	**Oils**	
Brit. Telecom	11	Marks & Spcr	11		
Brown (J.)	3	Midland Bk	38	Brit. Oil & Min	4
Burton Ord	39	NEI	8	Brit Petroleum	42
Cadburys	14	Nat West Bk.	60	Burmah Oil	18
Comm Union	19	P & O Dfd.	36	Charterhall	6
Courtaulds	12½	Plessey	17	Premier	5
Debenhams	17½	Polly Peck	26	Shell	68
Distillers	28	Racal Elect	18	Tricentrol	18
Dunlop	6	RHM	11	Ultramar	19
FNFC	8½	Rank Org Ord	32	**Mines**	
Gen Accident	45	Reed Intnl	50		
Gen Electric	17	Sears	8	Charter Cons	18
Glaxo	85	TI	28	Cons Gold	44
Grand Met	25	Tesco	20	Lonrho	14
GUS 'A'	68	Thorn EMI	35	Rio T Zinc	56
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 14

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	90.57	90.63	90.55	90.82
June	89.97	90.03	89.93	90.26
Sept	89.41	89.48	89.38	89.72
Dec	88.95	89.00	88.91	89.24
March	88.58	—	—	88.98

Estimated volume 7,498 (5,352)
Previous day's open int 14,559 (14,327)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
March	87.57	87.78	87.45	87.57
June	88.68	88.84	88.64	88.59
Sept	89.00	89.15	89.00	88.93
Dec	89.30	89.40	89.30	89.30
March	89.35	—	—	89.45

Estimated volume 2,544 (2,485)
Previous day's open int 6,203 (6,136)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	104-16	105-10	104-10	105-02
June	104-12	104-26	104-12	105-00
Sept	107-30	—	—	108-18
Dec	107-21	—	—	108-09
March	107-10	—	—	107-30

Estimated volume 2,802 (4,265)
Previous day's open int 5,727 (5,962)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent prices of near futures contract) −8 to 2 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1083	1.1145	1.1083	1.1110
June	1.1013	1.1055	1.1013	1.1025
Sept	1.0980	1.1040	1.0960	1.0975

Estimated volume 235 (4,161)
Previous day's open int 6,168 (5,419)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3086	0.3093	0.3086	0.3095

Estimated volume 4 (88)
Previous day's open int 180 (198)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3621	—	—	0.3637
June	0.3653	—	—	0.3669

Estimated volume nil (nil)
Previous day's open int 111 (111)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.3849	0.3849	0.3844	0.3944
June	0.3876	—	—	0.3871

Estimated volume 2 (nil)
Previous day's open int 114 (114)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
March	129.05	130.20	128.85	129.40
June	129.35	—	—	129.70
Sept	129.70	—	—	130.05

Estimated volume 419 (283)
Previous day's open int 1,389 (1,400)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	71-19	71-23	71-12	72-11
June	70-20	—	—	71-10

Estimated volume 2,614 (1,795)
Previous day's open int 2,147 (2,109)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	72-11	72-13	72-04	72-04
June	71-12	71-14	71-05	71-05
Sept	70-21	70-21	70-15	70-13
Dec	70-02	70-02	69-27	69-25
March	69-15	69-15	69-10	69-08
June	69-00	69-00	68-30	68-25
Sept	—	—	—	68-13
Dec	68-08	68-09	68-07	68-02
March	—	—	—	67-24
June	—	—	—	67-15

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	91.80	91.82	91.77	91.75
June	91.38	91.38	91.35	91.31
Sept	90.90	90.90	90.86	90.82
Dec	90.48	90.48	90.46	90.40
March	—	90.11	90.11	90.04
June	—	89.80	—	89.76
Sept	89.56	89.56	—	89.53
Dec	89.38	89.38	—	89.32

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	91.12	91.15	91.10	91.08
June	90.57	90.60	90.56	90.54
Sept	90.01	90.05	90.01	90.00
Dec	—	—	—	89.54

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	90.81	90.83	90.77	90.77
June	90.24	90.28	90.21	90.21
Sept	89.69	89.71	89.65	89.65
Dec	89.22	89.24	89.18	89.18
March	88.82	88.82	88.79	88.78
June	88.47	88.50	88.46	88.45
Sept	88.19	88.20	88.16	88.15

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.1105	1.1115	1.1090	1.1055
June	1.1020	1.1025	1.1000	1.0965
Sept	1.0970	1.0985	1.0960	1.0960
Dec	1.0950	1.0970	1.0820	1.0890

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-09	69-09	69-04	69-03
June	68-20	68-20	68-14	68-14
Sept.	—	—	—	67-28
Dec	67-14	67-14	67-12	67-08
March	—	—	—	—
June	—	—	—	66-09
Sept	—	—	—	6528

Owing to technical difficulties Saturday's Chicago figures were not available.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb. 8	change		Feb. 8	change
LONDON			**NEW YORK**		
Base rates	14	Unch'd	Prime rates	10½	Unch'd
7 day Interbank	14⅝	+⅜	Federal funds	8 7/16	−⅛
3mth Interbank	13⅝	+⅝	3 Mth. Treasury Bills	8.27	+0.11
Treasury Bill Tender	12.3781	+0.5651	6 Mth. Treasury Bills	8.35	+0.05
Band 1 Bills	13⅞	Unch'd	3 Mth. C D	8.80	+0.25
Band 2 Bills	13¾	Unch'd	**FRANKFURT**		
Band 3 Bills	13⅝	Unch'd	Lombard	6.0	Unch'd
3 Mth. Treasury Bills	12⅝	+½	One Mth. Interbank	5.785	+0.1
1 Mth. Bank Bills	13⅝	+½	Three month	6.175	+0.35
3 Mth. Bank Bills	12⅝	+⅜	**PARIS**		
TOKYO			Intervention Rate	10½	Unch'd
One month Bills	6.28125	+0.0625	One Mth. Interbank	10⅝	+⅛
Three month Bills	6.28125	−0.0625	Three month	10 11/16	+3/16
BRUSSELS			**MILAN**		
One month	10¾	−⅛	One month	15 11/16	Unch'd
Three month	10⅞	+⅛	Three month	15 13/16	−⅛
AMSTERDAM			**DUBLIN**		
One month	6¾	+7/16	One month	15	+⅛
Three month	6 11/16	+⅝	Three month	14⅝	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 13½.

FOREIGN EXCHANGES

Dollar demand hits sterling

BY COLIN MILLHAM

Demand for the dollar continued unabated last week, as any expectation that the central banks could stop the U.S. currency's advance faded into the background.

Dealers felt that strong commercial demand was providing a platform for the dollar, and that there was much less evidence of heavy borrowing to finance long speculative positions, as was the case last autumn. At that time the German Bundesbank had little problem in making speculators close out their positions, by pushing the dolar down very sharply in a matter of a few minutes.

In January the central banks threatened concerted action to stem the dollar's advance, but when dealers summoned up enough courage to push the U.S. currency through DM 3.20 last Monday the market was not impressed by the reaction from the Bundesbank, and the Japanese authorities earlier in the day.

Upward pressure continued throughout the week, and by Friday another psychological level of DM 3.25 had been breached.

Last week's record $19bn U.S. Treasury auctions had a mixed reception, with shorter term paper much easier to sell than 30-year bonds. But U.S. Government borrowing is expected to continue at a high level to finance the very large budget deficit, which shows little sign of being reined back in the next few years. At the same time the foreign exchanges still believe in continued strong economic growth, with inflation kept under control.

All major currencies lost ground to the dollar last week, but it was not until Friday in New York that sterling tumbled, after being strong on the cross rates against Continental currencies for most of the week. The pound's fall to a record trading low of $1.0970, after London had closed on Friday was apparently triggered by selling out of the Chicago futures market. It will however set back any lingering hopes of lower British interest rates before the Budget and continue to cause problems for the Government's economic strategy.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Feb. 8	Previous
8.30 am	71.9	71.5
9.00 am	72.0	71.5
10.00 am	72.2	71.6
11.00 am	72.1	71.6
Noon	72.0	71.7
1.00 pm	72.0	71.9
2.00 pm	72.0	71.8
3.00 pm	72.0	71.9
4.00 pm	71.8	72.0

£ in New York

	February 8	Prev. close
£ Spot	$1.1040-1.1050	$1.1125-1.1135
1 month	0.45-0.44pm	0.47-0.46pm
3 months	1.04-1.00pm	1.21-1.18pm
12 months	1.80-1.70pm	2.55-2.45pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND.

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1090-1.1190	1.1100-1.1110	0.47-0.43c pm	4.86	1.10-1.05pm	3.81
Canada	1.4810-1.4940	1.4815-1.4845	0.01c pm-par	4.05	0.02pm-par	2.70
Nethlnd.	4.08-4.10½	4.08½-4.09½	2¼-2c pm	6.42	6⅜-5⅞pm	5.99
Belgium	72.09-72.70	72.20-72.30	21-15c pm	2.99	36-27pm	1.74
Denmark	12.89-12.94¼	12.89½-12.90½	3⅞-2¾ore pm	3.08	7⅞-6⅞pm	2.09
Ireland	1.1600-1.1669	1.1600-1.1610	0.01p pm-0.16dis	−0.78	0.24-0.55dis	−1.36
W. Ger.	3.60½-3.62½	3.61-3.62	2¼-2pf pm	7.05	6½-5¼pm	6.57
Portugal	193½-206¾	200-205	197-535c dis	−21.69	520-1415dis	−19.11
Spain	198.10-199.80	198.15-198.55	19-5c pm	0.73	11pm-15dis	−0.04
Italy	2,215½-2,229¾	2,221-2,222	1lire pm-3dis	−0.54	7-12dis	−1.71
Norway	10.33-10.46¾	10.35-10.36	1⅞-1ore pm	1.59	3-2¼pm	0.99
France	10.97¾-11.07¾	11.03½-11.04½	3⅜-2⅝c pm	2.99	6-4⅞pm	1.97
Sweden	10.18¾-10.28¾	10.21-10.22	¼-⅞ore dis	−0.59	2-2¾dis	−0.93
Japan	288¾-291¼	289-290	1.81-1.69y pm	7.25	4.87-4.69pm	6.60
Austria	25.25-25.50	25.31-25.35	14¾-13¾c pm	6.62	41-37½pm	6.20
Switz.	3.07-3.09¾	3.07½-3.08½	2¼-1⅞c pm	8.04	5⅞-5½pm	7.39

Belgian rate is for convertible francs. Financial franc 72.40-72.50. Six-month forward dollar 1.60-1.55c pm. 12-month 1.95-1.75c pm.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.1105	1.1060	1.0998	1.0948	1.0920
D-mark	3.6150	3.5930	3.5557	3.5139	3.4448
French franc	11.04	11.0708	10.9800	10.9773	11.0051
Swiss franc	3.08	3.0593	3.0234	2.9790	2.9072
Japanese yen	289.50	287.77	284.77	281.13	274.69

BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 8	Feb. 1		Feb. 8	Feb. 1
Bills on offer	£100m	£100m	Top Accepted rate of discount	12.4341%	11.9528%
Total of applications	£277m	£321.785m	Average rate of discount	12.3781%	11.8150%
Total allocated	£100m	£100m	Average yield	12.77%	12.17%
Minimum accepted bid	£96.90	£97.045*	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	77%	95%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1090-1.1190	1.1100-1.1110	0.47-0.43c pm	4.86	1.10-1.05pm	3.81
Ireland†	0.9550-0.9610	0.9550-0.9565	0.48-0.43c pm	5.69	1.25-1.15pm	5.00
Canada	1.3324-1.3366	1.3351-1.3356	0.13-0.16c dis	−1.30	0.38-0.43dis	−1.21
Nethlnd.	3.6605-3.6835	3.6820-3.6830	0.55-0.53c pm	1.77	1.92-1.89pm	2.07
Belgium	65.12-65.40	65.20-65.30	12-13c dis	−2.31	34-36dis	−2.15
Denmark	11.56-11.62	11.61½-11.61¾	1.10-1.60ore dis	−1.40	4.10-4.60dis	−1.50
W. Ger.	3.2380-3.2590	3.2570-3.2580	0.66-0.61pf pm	2.35	2.18-2.13pm	2.66
Portugal	180-185	180-183	250-550c dis	−26.30	660-1450dis	−23.01
Spain	178.50-179.20	178.50-178.70	51-60c dis	−3.73	150-170dis	−3.58
Italy	1,990½-2,002½	2,001-0,002	8¼-8¾lire dis	−5.11	27-27½dis	−5.49
Norway	9.30¾-9.33	9.32¼-9.32¾	2.10-2.60ore dis	−3.03	6.45-6.95dis	−2.86
France	9.88½-9.94½	9.93½-9.94½	1.33-1.43c dis	−1.84	4.30-4.80dis	−1.98
Sweden	9.17½-9.20¼	9.19¾-9.20¼	4-4½ore dis	−5.55	11¾-12dis	−5.11
Japan	259.70-260.90	260.60-260.70	0.52-0.48y pm	2.30	1.78-1.73pm	2.69
Austria	22.74-22.84½	22.74-22.76	4-3½gro pm	1.97	14-12pm	2.28
Switz.	2.7540-2.7760	2.7745-2.7755	0.72-0.66c pm	3.00	2.28-2.22pm	3.28

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 65.20-65.30.

OTHER CURRENCIES

Feb. 8	£	$		£ Note Rates
Argentina Peso	258.00-258.46	231.85-232.05	Austria	25.35-25.60
Australia Dollar	1.4420 1.4440	1.2930-1.2945	Belgium	72.45-73.15
Brazil Cruzeiro	4,048-4,072	3,638-3,656	Denmark	12.88-13.00
Finland Markka	7.5085-7.5320	6.7510-6.7530	France	11.02-11.13
Greek Drachma	145.64 148.58	130.56-133.20	Germany	3.61-3.64
HongKong Dollar	8.6835 8.6935	7.8000-7.8020	Italy	2220-2250
Iran Rial	105.25*	95.20*	Japan	290 294
KuwaitDinar(KD)	0.3415-0.3425	0.30760 0.30770	Netherlands	4.08½-4.12½
Luxembourg Fr	72.20-72.30	65.20-65.30	Norway	10.36-10.46
Malaysia Dollar	2.8320-2.8370	2.5440-2.5490	Portugal	195-210
New Zealand Dir.	2.4210-2.4260	2.1590 2.1725	Spain	196¼-206
Saudi Arab Riyal	3.9825 4.0015	3.5830 3.5840	Sweden	10.22-10.32
Singapore Dollar	2.5130-3.9875	2.2500-2.2550	Switzerland	3.07½-3.10½
Sth African Rand	2.0975-2.1075	1.8780-1.8835	United States	1.10½-1.12½
U.A.E. Dirham	4.0810 4.0860	3.6720-3.6750	Yugoslavia	286 310

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.6348	−0.59	+0.10	±1.5426
Danish Krone	8.14104	7.95423	−2.29	−1.60	±1.6421
German D-Mark	2.24184	2.22968	−0.54	+0.15	±1.1463
French Franc	6.87456	6.80472	−1.02	−0.33	±1.3659
Dutch Guilder	2.52595	2.52384	−0.08	+0.61	±1.5165
Irish Punt	0.72569	0.716201	−1.31	−0.62	±1.6671
Italian Lira	1403.49	1369.87	−2.40	−2.30	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Feb.8	Bank of England Index	Morgan Guaranty Change%
Sterling	71.8	−18.4
U.S. dollar	149.3	+34.7
Canadian dollar	91.0	−3.6
Austrian schilling	109.6	+3.7
Belgian franc	88.2	−10.3
Danish Kroner	76.1	−5.1
Deutsche mark	119.5	+6.7
Swiss franc	133.6	+5.6
Guilder	109.3	+2.7
French franc	63.4	−16.4
Lira	46.4	−14.0
Yen	152.4	+9.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.866207	0.616124
U.S. $	8	0.966436	0.686478
Canadian $	10.31	*	0.916998
Austria Sch.	4½	22.0058	15.6380
Belgian Fr.	11	62.8425	44.6348
Danish Kr.	7	11.1679	7.95423
Dmark	4½	3.13377	2.22968
Guilder	5½	3.54779	2.52384
French Fr.	9½	9.56734	6.80472
Lira	15½	N/A	1369.87
Yen	5	251.998	178.999
Norway Kr.	8	9.00048	6.39568
Span'h Pta	½	172.513	122.674
Swedish K.	9	N/A	6.31457
Swiss Fr	4	2.67094	1.89935
Greek Dr'ch	20½	127.444	90.5396
Irish Punt	13¾	N/A	0.716201

*C$/SDR rate for February 7: 1.29269.

EXCHANGE CROSS RATES

Feb. 8	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.111	3.615	289.5	11.04	3.080	4.090	2222.	1.483	72.35
U.S. Dollar	0.900	1.	3.258	260.7	9.940	2.776	3.683	2001.	1.335	65.25
Deutschemark	0.277	0.307	1.	80.08	3.054	0.852	1.131	614.5	0.410	19.99
Japanese Yen 1,000	3.454	3.836	12.49	1000.	38.15	10.64	14.13	7674.	5.123	249.6
French Franc 10	0.906	1.006	3.274	262.2	10.	2.790	3.705	2012.	1.343	65.44
Swiss Franc	0.326	0.361	1.174	93.99	3.584	1.	1.328	721.3	0.481	23.46
Dutch Guilder	0.244	0.272	0.884	70.78	2.699	0.753	1.	543.2	0.363	17.67
Italian Lira 1,000	0.450	0.500	1.627	130.3	4.970	1.386	1.841	1000.	0.668	32.52
Canadian Dollar	0.674	0.749	2.438	195.2	7.444	2.077	2.758	1498	1.	48.72
Belgian Franc 100	1.384	1.537	5.003	400.7	15.28	4.263	5.661	3075.	2.053	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	14⅛-14⅜	8 1/16-8 3/16	9⅝-9⅞	6⅝-6½	1¾-2	5⅞-6	10⅝-10½	14-15	10¼-10¾	10½-10¾	6 1/16-6 3/16	10⅞-11⅛
7 days' notice	14-14¼	8⅝-8¾	9⅝-9⅞	6 1/16-6 3/16	2-2¼	6-6⅛	10⅝-10½	13⅞-14⅞	10¼-10¾	10½-10¾	6¼-6⅝	10⅞-11⅛
Month	13⅞-14	8 11/16-8 13/16	9 15/16-10	6⅞-7	5 1/16-5 3/16	6⅛-6¼	10½-10⅝	14⅛-14⅝	10½-11	10⅝-10⅞	6 5/16-6 7/16	10¼-10¾
Three months	13¼-13⅜	9⅛-9¼	10⅛-10⅜	6⅞-7	5 5/16-5 7/16	6¼-6⅜	10 15/16-11 1/16	14½-15	10½-11	10¾-11	6⅜-6 7/16	10⅞-11
Six months	12⅜-12½	9 5/16-9 7/16	10½-10¾	7 1/16-7 3/16	5⅜-5¼	6 5/16-6 7/16	11¼-11⅜	14¾-15½	10¾-11¼	10⅞-11⅛	6⅜-6 7/16	10⅝-11⅛
One year	12 1/16-12 3/16	10⅛-10¼	10¾-11	7 1/16-7 3/16	5 1/16-5 3/16	6 11/16-6 13/16	11 11/16-11 13/16	15⅜-15¾	11-11½	10⅞-11⅛	6 7/16-6½	10⅞-11⅛

Asian $ (closing rates in Singapore): Short-term 8½-8⅝ per cent; seven days 8 9/16-8 11/16 per cent; one month 8 11/16-8 13/16 per cent; three months 9⅛-9¼ per cent; six months 9 5/16-9 7/16 per cent; one year 10-10⅛ per cent. Long-term Eurodollars: two years 10⅞-11 per cent; three years 11-11⅛ per cent; four years 11⅛-11¼ per cent; five years 11⅜-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Bouts of nerves follow euphoria

There was a certain euphoric mood in London's financial markets on Friday, encouraged by news that Bank of England was increasing its temporary facilities to the money market to £4bn from £2bn. This was at first regarded as a possible signal that interest rates could fall in the not too distant future, but was soon reappraised as purely a technical move to ease the market through shortages caused by seasonal payments of tax.

The first £2bn will simply roll forward an existing facility for another month when it expires on Thursday, while the second £2bn is available from Friday until March 27. Dealers were quick to point out that the second £2bn will only replace money returning to the Bank of England as repurchase agreements on eligible bills unwind.

There was a very large number of bills bought for resale by the Bank of England last week. At first there were on a very short term basis as the market awaited the outcome of the UK mid-January money supply figures.

These were slightly better than expected, but taken against a background of disappointingly high bank lending, did nothing to suggest that a cut in base rates could be justified, with sterling still looking vulnerable on the foreign exchanges.

After the money supply figures slightly longer term repurchase agreements were entered into, but a continuing large differential between official buying rates for bills, and the rates traded in the market, meant that very few bills were sold outright to the Bank of England. The official rate on three-month bills rose to 13¼ per cent on the last increase in bank base rates, but since then the market buying rate for similar bills has slipped from 13½ per cent to 12⅛-12¼ per cent.

This compares with a rate on sterling certificates of deposit of about 13¼ per cent, and three-month interbank money of 13 7/16 per cent. The bill rates obviously still discount a cut in clearing bank base rates and the general mood has been encouraged by the recent performance of the gilt market, where large amounts of stock have been snapped up, largely by foreign buyers. On the other hand sterling hit a record low against the dollar on Friday in New York.

Thet Budget on March 19 is now looked at as the most likely time for lower base rates, but in the meantime the market will doubtless go through further bouts of euphoria followed by a sudden loss of confidence about the pound.

UK clearing banks base lending rate 14 per cent since January 28

FT LONDON INTERBANK FIXING

(11.00 a.m. February 8)

3 months U.S. dollars	
bid 9 1/16	offer 9 3/16

6 months U.S. dollars	
bid 9 3/8	offer 9 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Feb. 8 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	14-15	14⅛-14¼	13-14¾	13-14¾	—	—	—	—	—
2 days notice	—	—	14-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-14⅛	14-14⅛	14⅛-14⅝	14	—	—	—	—	—
One month	14-13¾	13⅞-14⅛	14	14⅛	13⅝-13¾	13⅝	13⅛	13½-13¾	13½	[illegible]
Two months	13⅛-13¼	13 7/16-13 9/16	13⅛	13⅝	13-13¼	13⅛	13	13-13¼	13	[illegible]
Three months	13⅛-12⅞	13¼-13½	13¼	13¼	12½-12¾	12⅝	12½	12⅛-12¼	12½	[illegible]
Six months	12 7/16-12	12⅛-12 5/16	12⅜	—	—	—	—	11⅝	11⅞	[illegible]
Nine months	11⅞-11¾	12⅜-12½	—	—	—	—	—	—	—	—
One year	11 11/16-11 9/16	12⅛-12⅜	12⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅞-14⅛	—	—	8.75-8.65	8⅛-8¾	10 3/16-10⅝
Two months	14⅛-13¾	—	—	8.8-8.9	8⅝-8⅞	10 3/16-10⅝
Three months	13¾-13⅜	—	13⅜	8.95-9.05	8¾-9	10 3/16-10⅝
Six months	12⅞-12½	—	12⅝	9.25-9.35	8⅞-9⅛	10⅛-10 5/16
Nine months	12⅛-12⅛	—	12⅜	9.45-9.65	—	—
One year	12⅜-12	—	12¼	9.9-10.1	9 3/16-9 7/16	10-10 1/16
Two years	—	12	—	—	—	—
Three years	—	11¾	—	—	—	—
Four years	—	11¾	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate. Export Finance IV: Average Rate of interest period January 2 to February 1985 (inclusive): 11.840 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from February 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 12.3781 per cent. Certificates of Tax Deposit (Series 6): Sales temporarily suspended. Rates prior to suspension were: Deposit £100,000 and over held under one month 14¼ per cent; one-three months 14 per cent; three-six months 13¾ per cent; six-nine months 13½ per cent; nine-12 months 13¼ per cent. Under £100,000 12½ per cent from January 30. Deposits held under Series 8 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	8.35
Two month	8.05
Three month	8.27
Six month	8.35
One year	8.55

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL TIMES SURVEY

Kuwait

In addition to the squeeze on oil prices, plus the aftermath of the crash of the Souk al Manakh stock exchange, Kuwait in election year is also faced with a major war on its borders and a powerful neighbour calling for Islamic revolution.

In this Survey

Fresh mood of realism

THE AGE of plenty is over, at least temporarily, for the hereditary monarchies of the Gulf. After more than a decade of hectic growth and mounting financial surpluses, budgets are beginning to show deficits. Little more than 15 per cent of the industrialised world's oil requirements now pass south through the Strait of Hormuz.

Gatherings of Ministers from the Organisation of Petroleum Exporting Countries increasingly take on the appearance of a squabbling crew uncertain about how to keep the once buoyant ship afloat. Hotels, where executives once treasured a chair in the lobby for the night, now offer discounts to tempt the customers. Rents are tumbling from their Manhattan peaks and shops lie empty in magnificent marbled shopping malls.

By ROGER MATTHEWS

Middle East Editor

It is all still relative, of course. If Kuwait was a company it would be still trading profitably but as a one-product concern it would also be attracting the attention of the bears and of those shareholders who suspected that some members of the board had not yet appreciated the changed trading circumstances.

Oil revenues have more than halved since the 1979-80 financial year and few people, even in the perennially optimistic Gulf, see grounds for predicting any rapid resurgence of demand. On the contrary, it is considerably easier to find oil market analysts who predict a further softening of prices.

To those anxieties common to all oil producers, the authorities in Kuwait have to add the intermittent threat to its supply lines posed by the air strikes against tankers in the Gulf and the wider political disturbances created by the next-door war between Iran and Iraq, now well into its fifth year.

As a cautious but financially committed supporter of Iraq, Kuwait has suffered its moments of alarm. First, because of the one time genuine fears that Iran might score a decisive breakthrough in the southern sector close to the Kuwaiti border, and second because of the impact of the fighting and the Iranian revolution on Kuwait's own substantial Shia Moslem community, co-religionists of Ayatollah Khomeini.

The risk of an Iranian military victory has now almost receded, but the bomb wave which struck in and around Kuwait City in December 1983 underlined the determination of the country's enemies.

It is also suggested to some Kuwaitis that an Iran with blunted teeth might be looking for softer nuts to crack. However few fissures have appeared in the solid nationalist front of the Kuwaiti Shias and like their brothers in Iraq they much prefer to regard Khomeini as a Pope rather than a political leader.

Those who dissent from that view and have been identified by the security services are among the thousands who have been deported from Kuwait in the past two years.

The potent combination of a major war on its borders, a massively more powerful neighbour preaching Islamic revolution and a determined squeeze on the price of its sole exportable commodity, should have signalled a period of intense caution in Kuwait.

Instead, it launched itself into the most spectacularly ill-founded stock exchange extravaganza the capitalist world has seen. The full cost to the nation of the $92bn worth of post-dated and largely valueless cheques which eventually emerged has yet to be assessed. The technical unscrambling of the myriad chains of debt has substantially been completed but the fate of the largest debtors has still to be decided. Meanwhile, attempting to assess the net worth of many companies and individuals remains a largely academic exercise.

Aware of the risks ahead: Shaikh Jaber Al-Ahmad Al-Sabah, Kuwait's ruler, who came to power in January, 1978

The Government has undertaken what amounts to a massive nationalisation programme and is now the majority shareholder in nearly half the quoted companies on the official stock exchange. It injected over $2bn into the market to stabilise share prices but convinced no one. Most expatriate advisers working for Kuwaiti financial institutions appear to believe that values still have some distance to fall before buyers begin to appear.

Just as when the market was surging ahead no one believed it could peak, so today when it is falling no one appears to think that it has reached the bottom.

What some analysts fear is that the moment a psychological barrier is breached all Kuwaitis with liquid funds will simultaneously turn into buyers and the pendulum will again swing uncontrollably upwards.

"The urge to make very large sums of money with very little effort is endemic in this country. No one will remember in a few months or years about the last disaster. The temptation will be just too great unless far stricter regulations are imposed and policed by the authorities."

This comment by a Western banker is not shared by some Kuwaitis who believe that lessons have been learned and that most who have lost everything will stand like wrecked cars by the side of the motorway to remind the reckless.

Priming the financial pump

However, the cost to the national exchequer continues and the Government may have to repatriate several more billions of dollars more before it succeeds in re-establishing confidence, or as one banker put it, "primes the pump without turning it into a gusher."

The crash of the Souk al-Manakh stock exchange should be the main domestic issue in the elections for the National Assembly to be held later this month. Kuwaitis are proud of their limited democracy and the power of the National Assembly to vote down government legislation and to approve laws which Ministers oppose.

Political parties are not permitted, but "tendencies" are easily visible with a few men emerging during the life of a parliament as the principal leaders of the opposition. In the Assembly, just ended, it was the Islamic fundamentalists, for whom all issues were viewed in relation to the teachings of the Koran. They proved to be a thorn in the Government's side more through their insistence on Islamic legislation than because of any challenges they threw down to the Government on secular issues.

This situation is likely to be reversed after the votes are counted later this month. It is widely expected that the fundamentalists will do badly and their role will be taken over by candidates inspired by the Arab nationalism of the late 1950s and 1960s.

The Nationalists want both a wider electoral franchise and far more profound debate on the country's economic future. While accepting that the Emir, as head of state, is above the political fray, they do not hide their belief that part of the royal circle would like to diminish the powers of the National Assembly in order to continue running Kuwait as primarily a family business.

The temptation may well become greater for these people if the economy does not show clear signs of reviving during the latter part of this year. Some essentially conservative politicians are already warning that unless the Government acts now to cut expenditure further and, more importantly, accepts the need to reduce the inflated level of expectations created by the cradle-to-the-grave welfare state, it could face far more explosive political decisions later.

They are also deeply concerned at Kuwait's apparent acceptance of the need for 1m expatriates whom they describe as an excessive drain on the country's resources and account for more than 60 per cent of the expenditure of several key Ministeries.

This is all part of the broader argument about what sort of future the 600,000 Kuwaiti nationals should be creating for themselves and how best the new generation, better educated and more widely travelled, can be absorbed into the fabric of the state. Wider popular participation in Government is certainly one way and has the additional benefit of involving more people in what some Kuwaitis fear are bound to be unpopular decisions.

It might also help to create a greater sense of personal responsibility in a country where the safety net of paternalistic government catches both the very idle and the speculatively reckless.

Sophisticated and tolerant

Kuwaitis tend to see themselves as the most sophisticated, cosmopolitan and tolerant people of the Gulf with a broadly benevolent form of government, a diverse press and an acute business sense. When coupled to an almost inexhaustible natural resource that costs virtually nothing to extract it is small wonder than even those most critical of Kuwait's leadership should describe themselves as living in a sort of paradise.

But that appreciation is made only in order to emphasise the risks that lie ahead. Kuwait cannot afford financially or politically another Souk al-Manakh if public confidence is to be maintained in the present system of government and the country is to retain a broad degree of international respect.

"We must, as a nation, relearn both the value of money and a sense of civil responsibility," said a member of a leading business family. "Otherwise we are going to turn into another Monte Carlo, but just with the casino. And the most ridiculous thing is that the gamblers there are trying to bankrupt the house in which they live."

Views differ on meaning of democracy

THERE IS no agreement in Kuwait on what democracy should mean. To some it represents little more than a form of consultation, a confirmation of decisions already reached or of policies already formed. Others see it essentially as a channel for exercising influences, as a means for personal enrichment and for the advancement of families and friends.

A further group believes that it should be a process through which a growing section of the population have the right, through their elected representatives, to initiate and approve legislation.

Political scene

ROGER MATTHEWS

Yet another group would like to extend democracy to the point where it alone is responsible for the selection of government, if not the head of state. Elements which have been particularly vociferous over the past four years want democracy to be the path along which the people rediscover the *basic tenets of Islam and order* their lives accordingly.

On February 20, the 56,848 Kuwaiti men who have the right to vote in a general election will select 50 of their number to represent them in the National Assembly and by so doing will give some indication of the country's probable political evolution during the next four years.

The structure of Kuwaiti society and the manner in which the 25 constituency boundaries are drawn makes certain predictions relatively easy. In at least half of the constituencies candidates will be returned essentially as family representatives.

Key issues

For the most part, their aim in the National Assembly will be to protect and develop the interests of a single family or group of families. The issues in which they will become involved will tend to the parochial and they are less likely to be drawn into debates on wider *national or international issues.*

Nevertheless, even in some of the more rural constituencies where the candidate is virtually appointed by the head of the tribe or family, the younger generation is breaking through. Graduates are starting to be shosen as candidates and some politicians predict that in the course of the next decade this group wil become steadily less predictable.

By predictable they mean that the ruling family and the Government will be less assured of their virtually unquestioning support.

The power brokers within these constituencies are also becoming more aware of the quality of candidate needed to be successful in the National Assembly. Reselection, an issue all-too-well-known within the British Labour Party, is very much a part of Kuwaiti political life.

"If our member of the National Assembly is thought not to have done very well, then we kick him out," said a member of a prominent family. "We also have a system not unlike the American primaries where several candidates compete against each other to see who will finally run for the Assembly."

Challenges are also mounted to the dominance of a particcular tribe in a constituency through caucuses attended by representatives of ten or a dozen small families. At those meetings they attempt to select a *single agreed candidate who* might stand a good chance of at least splitting the two majority candidates.

It is within the urban constituencies that the more genuinely political contests take place with candidates being identified as much by their attitudes to major issues as by their family affiliations. The absence of political parties intensifies the role of individuals who anyway are in a position to be known personally to each member of their constituency electorate. The largest of Kuwait's electoral districts has 3,809 voters, the smallest 1,317.

Although approximate political groupings do emerge, candidates invariably refer to their own stance in relation to the best known member of a particular group. Thus, the broad tendency which made the biggest impact in the last election—the Islamic fundamentalists—is composed of men differing views who, for convenience, may choose to explain their attitudes in relation to Khaled Sultan, the man who did most to stir Kuwaiti emotions during the life of the last National Assembly.

But whatever the differences across the broad spectrum of fundamentalist views, all tend to be damaged by its excesses and this is likely to be reflected at the polls. Few people in Kuwait expect the fundamentalists, liberal or conservative, to repeat their previous successes and some predict that apart from two Shia members there will not be anyone in the Assembly wearing a primarily religious label.

The reasons for this are several. Fundamentalism throughout the Middle East has increasingly come to be associated with violence and intolerance, ranging from the assassination of President Sadat, through events in Lebanon to the Iran-Iraq war.

Locally, some of the more fiery pronouncements by Khaled Sultan have given rise to *accusations that his more literal interpretations of the Koran* would set society back by several hundred years.

Attempts in the National Assembly to amend the constitution in order to make Islamic law the only source of legislation fuelled these anxieties and at least part of the expatriate community feared worse was to come when a law was approved banning foreign embassies from *importing alcohol.*

Separation

The *greatest furore,* however, erupted last year when a group of students wrote to the blind Saudi Arabian religious leader, Sheik Abdul Aziz bin Baz for a ruling on the separation of the sexes at university. It was Bin Baz who, in 1966, rejected the theory that the earth rotated *around the sun.*

"The earth is fixed and stable, spread out by God for his mankind . . . and fixed down firmly by mountains lest it shake," he declared.

Anyone who believed otherwise was guilty of "falsehood toward God, the Koran and the Prophet." Baz duly replied to the students, predictably insisting that the sexes should be kept apart at university.

For a fortnight the controversy raged, with the Kuwaiti press given full rein to attack this intolerable interference in Kuwait's domestic affairs, the slur on the country's own religious leadership and the shocking libel on the virtue of Kuwaiti ladies.

Viewed objectively it was a small-enough issue, sparked off by *unrepresentative students* and responded to by a man who had previously fallen foul of the Saudi Arabian authorities for his pronouncements. Yet it proved a convenient stick with which to beat the fundamen*talists who, in the absence of* any other significant opposition grouping, had become the main thorn in the Government's flesh.

Few of the fundamentalists doubt that the Government will be *doing all within its* power to ensure their electoral defeat, spurred on by other regional and international forces. In the 1981 election, Khaled Sultan secured only a four-vote margin over the third place candidate in his constituency, and was already highly vulnerable.

That same election witnessed the defeat of the "nationalist" forces headed by Dr Ahmed Al-Khatib who now looks set to make a return to the Assembly.

Man of vision

Dr Khatib's long history of political involvement in Kuwait makes him one of the country's best-known public figures and one who is capable of attracting loyalty among the younger and more radical *elements of the* electorate.

He is also a man who has a clear political vision and will rest his campaign on issues as much as on personalities. Dr Khatib has no doubt that his re-election will be strongly opposed by the authorities whom he accuses of having manipulated his defeat in the last round of voting.

The ruling family suspects, probably correctly, that Dr Khatib would favour a substantial reduction in its constitutional powers, together with a widening of the franchise which would initially give "second class" Kuwait citizens the right to vote. At the moment only "first class" male citizens over the age of 21 who can prove *that their forebears were residents* prior to 1922 have the right to register as voters. All women are excluded.

The threat which the authorities fear Dr Khatib could pose *in the National Assembly* has, however, little to do with his group's possible numerical strength. At most, Dr Khatib and his supporters will control six of the 50 elected seats. Rather it is the probability that Dr Khatib will secure wide publicity for his concentration on specific issues, such as the Souk al Manakh collapse, which causes alarm.

A section of the Sief Palace in Kuwait. The constitution prescribes that Kuwait is a fully independent Arab state with a democratic form of government. The legislative authority is invested in the Amir.

Independent candidate's view of share price levels

A sharp critic of the Government

PROFILE: Jassim Mohammed Al-Kharafi, member of the Kuwait National Assembly and chairman of the Finance and Economy Committee.

* * *

Mr Kharafi is running for re-election to the National Assembly as an independent and claims that political labels have little significance in Kuwait because "everything here is based on personal contact." A member of one of Kuwait's oldest-established and affluent families, Mr Kharafi considers himself a representative of the state's "silent majority" and advocates "balanced" policies.

As such, he is sharply critical of the Government's handling of the Souk al-Manakh crisis and its failure to act promptly when share dealing began to get out of hand.

"The Government allowed the situation to drag on and gave the impression that all Kuwaiti people were involved in the situation, which was just not the ease. If the Government had been wise it would have allowed some people and some companies to have become bankrupt and to have faced reality.

"As it is, Souk al-Manakh may now be almost finished as a problem in one sense, but we are still not really accepting the reality."

The fastest way to reality, *according to Mr Kharafi, would* be for the Government to abandon its attempts to shore up share price levels.

"By injecting funds, the Government creates a false impression of market buoyancy. The sooner the market hits real bottom, the better it will be."

However, Mr Kharafi says that Kuwait's international standing must not be damaged by fall-out from Souk al-Manakh. The outside world had to be fully aware that the Government of Kuwait would underwrite the obligations of institutions with external commitments. As for those local companies "which had been playing Monopoly on a large scale," *Mr Kharafi believes* they should be allowed to sink in order for the true value of money to be appreciated.

The root cause of Kuwait's problems in recent years had been the unrestrained rate of economic growth—"Kuwait has been performing like a very fast racehorse," he said. "It has been completing the course in half the expected time and then has to wait around for something to do next. A five-year plan tends to be completed in the first 18 months. And the problem has been made far worse by the lack of a comp*petent jockey to control the* horse."

Mr Kharafi argues that the appearance of a budget deficit would prove beneficial to the

Mr Kharafi insists that the Government failed to act promptly when share dealing at the Souk al-Manakh began to get out of hand.

country if it provoked a serious re-assessment of long-term economic, political and social aims. The decline in oil revenues should help to concentrate the Government's mind on alternative forms of income and particularly on the best strategy for investing the country's surpluses.

"We must concentrate on improving our investment programme and ensure that it yields returns from several different parts of the world. We need to build those bridges with other countries in the way which we have already done with the purchase of Santa Fe and with Gulf Oil retailing outlets," he said.

At the same time, Kuwait needed to re-examine the policies which had brought 1m *expatriate* workers into the country and the impact that this had made on the three main spending Ministries, Education, Health and Electricity. For example Mr Kharafi cited the Ministry of Education and asserted that only 35 per cent of its expenditure was for the benefit of Kuwaiti nationals. The figure for Health was even lower at about 33 per cent.

"We must reconsider this *situation* which has created so much activity and so many facilities—all free of charge—for these people. And we must remind ourselves that the more we bring in the more it is going to cost us."

Mr Kharafi is also highly critical of the public sector's burgeoning wages and salaries bill and the lack of motivation provided for people to work in the private sector. The budget as presently constructed was, he assented, just a "spending Budget. It provides no motivation at all for additional activities." To this end he would like to see Government employees able to take on additional jobs, provided that there was no conflict of interest.

During the past decade increases in wages had been due solely to the rise in oil revenues — "The Government just spread the money around without any thought for the future."

Difficulties

Now that oil revenues had stopped rising it was vital for the Government to reverse the trend of steadily rising expectations, he said.

"I accept that, politically, it will be very difficult to make this change, but we have to start preparing for it now. A 1,000-mile journey starts with a single step and we have not even moved the first inch.

"We must not let it get to the critical stage and risk the choice between ever-rising budget deficits or riots on the streets. It is essential that we do not attempt to fool all of the people all of the time."

Mr Kharafi believes that the *teachings of Islam* could prove a positive way of motivating the population, provided they are correctly interpreted.

ROGER MATTHEWS

POLITICAL VIEWPOINTS: ISLAMIC LIBERALS AND THE FUNDAMENTALISTS

Working towards more flexibility

PROFILE: Ismail Al-Shatti, Editor of Mushtamma magazine, board member of the Social Reform Society and director of the Institute of Applied Technology.

* * *

Although often described as a leading Moslem fundamentalist, Mr Shatti rejects the label.

"I think of myself as an Islamic liberal," he says. "Within the Islamic current there are, like other movements, certain tendencies. There are those who might be called fanatics, others who are centrists and still more who might be described as the right.

"For example, the fanatics believe that the Koran provides not just principles but also the details of life. They do not see any need to tailor the principles to modern life and the present century in which we live.

"I also believe in the principles set out in the Koran, but I believe that the details have to reflect modern society."

"For example, as a liberal I see nothing in our religion which dictates that a woman should stay indoors. A woman is just as responsible as a man when it comes to the day of judgment. Women should therefore enjoy equal rights."

However, Mr Shatti's beliefs do not prevent him working politically with co-religionists who refuse to shake hands with women and are bitterly opposed to them being granted any wider role in society.

He argues that the very fact of working together politically will temper the extremists' views. Mr Shatti claims close personal knowledge of this process.

"Ten years ago I was among the most extreme of all fundamentalists—very, very extreme. Then I went to Cairo to study and immediately began to develop, once I had left the isolation of my group. I then went on to complete my masters' degree in the United States and saw another world.

"I had to review my approach to life. One result was that, when I returned to Kuwait, I tried to get my group more involved in political life and inevitably greater involvement means greater flexibility."

Mr Shatti believes that this involvement has had a political impact on Kuwait and on the National Assembly but argues that it is absurd for anyone to be afraid of his group. "We have the people with us. They believe that we are more honest and maintain faith in our religion. We are without corruption and work in the best interests of the country. This is recognised by the people. So, if anyone is afraid of us it means they are also afraid of the people."

Mr Shatti also asserts that the Social Reform Society is only interested in putting forward its ideas and is not involved in attacking others.

"Personally, I am quite happy that the Sharia should be "a" source of legislation and not "the" source, although some of my colleagues do not believe that is enough. However, I think that the present wording gives us the authority to make Islamic law and if we ask the country's leadership for more, then we push them into a corner.

'We are a small country ... we also have greedy neighbours who might like to eat us.'

"The Government fears that if we amend that article of the constitution it would mean an immediate change of the way of life in Kuwait. However, we do not have any ready-made system to substitute.

"I believe in gradual change and, on this, I am with the Government."

But change there must be.

"At the moment most Kuwaitis are just consumers—an American car, the summer holiday in London, an expensive house here, another on the Cote D'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment, whereas we have to plan for security in the future. We must stop being so naive and, instead, start to invest in people and a framework for the future. We have to be productive and strong and whichever way we eventually decide to develop, the people have to be prepared."

Mr Shatti suspects, however, that the "Islamic current" may not fare well in the forthcoming elections.

"In the last elections we were new. We did not have any enemies. Now that we have become a real political group we have friends, but we also have enemies. We have also made mistakes.

"In the last Parliament we were the only real Opposition, so the Government has tried to diminish our power and to limit us.

"In particular, we sometimes expressed our views in over-emotive language. This caused some alarm abroad as well and increased international pressure on the government. The legislation to prohibit alcohol for foreign embassies was an error. It gave the impression that we were fanatical. So we have created enemies among foreigners, in the Government and in the Royal Family."

Nonetheless, Mr Shatti is confident that some of his colleagues will be successful at the polls.

"But if we continue in the same way, we will probably not be successful the next time round, he warned.

This, he fears, would be of most benefit to the extremists who still tend to the belief that their objectives are best pursued as an undergorund group.

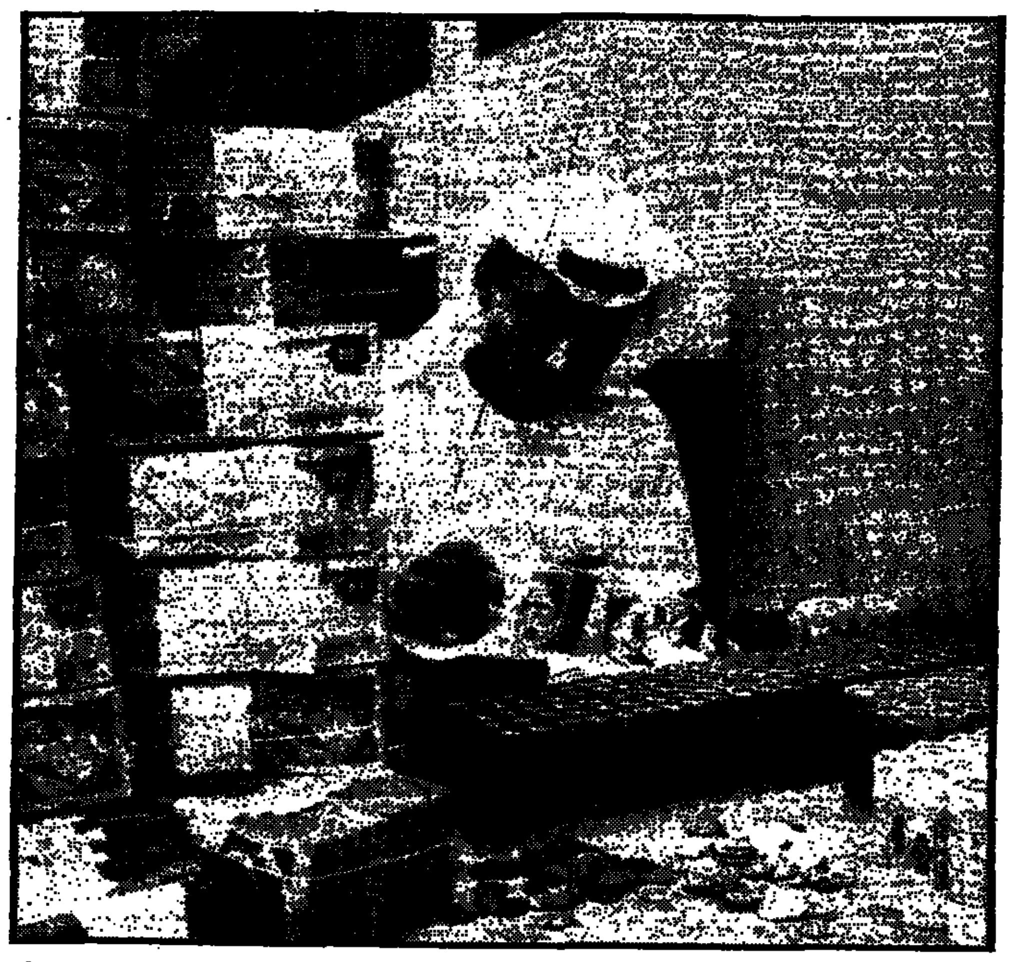
"If we fail in the elections they will certainly gain in strength," Mr Shatti predicted.

The great achievement of the past four years, he said, was that Parliament had completed its term. This was a notable success for a developing country and it was important to recognise the various balancing forces in the Kuwait equation.

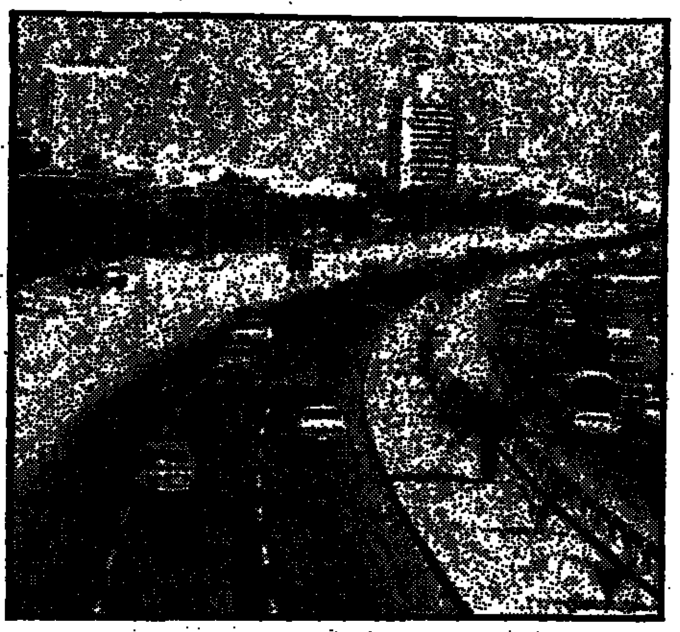
"We are a small country and we, the Kuwaitis, are a minority within that country. We have no power other than oil and money. We also have greedy neighbours who might like to eat us. At the same time the major international powers are interested in Kuwait and what happens here.

"Then, of course, we also have a Royal Family and we must respect its role in order to keep the equation balanced. In the past four years we have worked within these limits. Some share in the leadership of the country is very much better than nothing."

ROGER MATTHEWS



OIL RICHES: A bank official counting large bundles of banknotes. Most Kuwaitis, says Ismail Al-Shatti, are "just consumers—an American car, the summer holiday in London, an expensive house here, another on the Cote d'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment"



Vehicles sweep along the broad highways of Kuwait. Despite the country's recent economic setbacks, it still has financial reserves of some $75bn and, compared to other Arab countries, Kuwaitis "are living in paradise," comments Dr Ahmed Al-Khatib.

THE NATIONALIST VIEW

Strong defenders of the constitution

PROFILE: Dr Ahmed Al-Khatib. Former member of the National Assembly. Candidate for 1985 elections.

* * *

"People like to try and simplify things, for example by referring to my group as nationalists. We are rather more than that," he says. "We are constitutionalists, democrats, nationalists, and a little bit leftist with rather more interest in the lower income groups."

Dr Khatib goes on to define nationalism as relating more to the group of Arab nations than to Kuwait alone.

"There is no room in this world for a small country trying to act alone," he says. "It is very much in our interests to be part of a much larger group."

But compared to those other Arab countries, Dr Khatib admits to living in a paradise "we have to be fair about this. We are living in paradise here in Kuwait. Although we may grumble, we do still have our constitution and we are very proud of it."

Dr Khatib accepts that some of his relatively outspoken political statements could well have landed him in serious trouble had he been living elsewhere in the region. He does not pretend, for example, to believe that the authorities in Kuwait have a very deep-seated commitment to democratic forms of government.

Instead, he points to the long tradition of democratic procedures in Kuwait which have survived despite repeated attempts to stifle them.

"The pressure for democratic forms of government goes back a very long way, including when we were under British rule," he says.

Dr Khatib cites the attempts made, since 1920, to create a National Assembly and to hold elections which were a fair test of opinion. And he offers no few examples of the way in which this process was hampered or more blatantly manipulated.

Dr Khatib doubts whether such tendencies have altogether been eliminated but he i s confident that they are much more difficult to practise without the public becoming aware. He is also optimistic that younger generations which have had the benefit of a broader education will underpin the democratic process and will be less likely to accept former practices without question.

"If we do not win election to the National Assembly this time, then something very obvious will have happened," declares Dr Khatib.

Six members of Dr Khatib's group have declared themselves as candidates. Their priorities, if elected, will be the protection of the Kuwait constitution, a just resolution of the Souk al Manakh crisis and a clearly defined economic policy.

"The Souk al Manakh crisis is without doubt, a really major issue because it brought into the light not just what had been happrngtneeehi

happening there, but also other similar characteristics which have become more widespread in our society and are now much better understood," comments Dr Khatib.

'The Kuwaiti Government should stop its policy of using large amounts of public money for the sole benefit of a small social group.'

"All that is good in Kuwait has been created by the people of Kuwait. We have done it through our industry and through our struggle to be independent and democratic. Souk al Manakh is the product of a different philosophy. There was ain attempt to bring in the new rich to replace the old rich, and it failed."

Dr Khatib insists that the Government should stop its policy of using large amounts of public money for the sole benefit of a small social group. At the same time far greater efforts should be made to protect the majority of Kuwaiti workers from the impact of official spending cuts.

On foreign policy, Dr Khatib would like to improve relations with the Soviet Union because of the importance of choosing "between friends and enemies, between those who stand with the Arabs in our battle against Zionism and those who back Zionist aggression against us."

For this reason Kuwait had to differentiate between the United States and the Soviet Union — "We must befriend those who support us and oppose those who harm us." he says.

ROGER MATTHEWS

Economic pundits agree that Kuwait is facing a 'management crisis'

Confidence has been shaken

AFTER three decades of steadily rising prosperity Kuwait is being forced to grapple with the unusual experience of relative recession.

Confidence in the private sector has been shaken by three main factors: the levelling off in the growth of Government expenditure: the closeness of Kuwait to the Gulf war where each resurgence of fighting provokes new nervousness: and, of course, the continuing reverberations from the crash of the unofficial Souk al Manakh stock exchange.

The economic downturn

KATHY EVANS

How much further confidence has yet to fall is debatable, but in the absence of a dose of really good news—such as a negotiated end to the Gulf War—there is little reason to believe that an upturn is just around the corner.

The problem is compounded by the belief held by many Kuwaitis that the current down cycle is a momentary hiccup. Indeed, many of the attempted *solutions to the* Manakh problem presuppose a swift upturn in the economy, thereby perhaps sowing the seeds for a fresh crisis.

The recession has, however, served to generate a debate about the basic structure of the economy. Some of the more pessimistic in government argue that the country should concentrate on developing as a financial service centre and abandoning pretensions to any industrial base. But with 40 investment companies in Kuwait already in difficulties, that avenue would seem to be not so easily achievable.

Opportunity

Other economists argue that the *puncturing of the stock market* and property balloon provides a real opportunity for putting industry onto a sound footing and of generating profits which are unrelated to share dealings.

What the pundits do all agree about is that Kuwait is going through a 'management crisis" and that until a corporate morality takes root in the country it will be difficult to assess the prospects for a uniformly solid and well-managed private sector.

There is still a great deal of money in Kuwait, not just in the hands of the Government but also with the merchants. Not everyone was seriously mauled by the Manakh collapse and there are still many "old money" families whose riches are untouched.

On the other hand, some *25,000 people hold shares* in the official market in Kuwait and only a handful of those provoked the disaster. Having allowed the market to operate with virtually *no control*, the Government would appear to have a moral obligation to those Kuwaitis who bought shares as a long-term family investment *and are* watching those shares continuing to plummet in value.

The Government finds itself trapped in a dilemma. It needs to provide the mechanism to prop up and even increase *current* value of shares and It has to do this to prevent a *growing* number of foreclosures by the banks, and a further erosion of bank collateral. *If* the value of assets continues to decline in Kuwait more people will become insolvent. This, as the Government knows full well, wil cause further political and social problems.

Some financial experts believe that there is still a danger of the downward spiral gaining momentum. As each bankruptcy is declared, confidence will decline further, and share prices and land values will go down even more, setting off yet more bankruptcies.

Yet it is difficult to see what can be done to prevent further declines in asset values. Any attempt to boost share prices will be artificial and will perpetuate the unreality of share values compared with profits and earnings.

Many experts believe that share prices still have a long way to go before they reach their true value. The Government already owns 50 per cent of the market, and any further purchases, beyond the $2.8bn arouse protests of wholesale nationalisation.

Some stock market analysts believe that the Government already owns too much and *investment options are already* too narrow. The turn-up, if it comes, will artificially boost prices, thereby laying the foundation for the next boom and bust cycle.

In the case of property the situation is even more difficult, for Kuwait land values will only appreciate when confidence in the country, and the economy, returns.

Land values have fallen 50 per cent in the past year according *to* some estimates, but they *are still* not at a realistic level.

The Government, however, does have the mechanism to boost prices, through the *annual land purchases* budget which appears each year in its capital expenditure programme. But the sums required to be spent to push the market up would be enormous and again this may prove unsuccessful if there is no underlying confidence. Already, market sources are talking about a possible $2.4bn being ploughed into this *sector* in the next budget.

Unrealistic

Rents, too, are falling. In the past year, they have dropped by about 30 per cent and local real estate agents say there *could be another 10 to 15 per* cent drop in 1985. Key money has already disappeared.

But as bank economists point out, rents were at totally unrealistic levels, anywaw. A three-bedroomed apartmnet in the city rented at anything between $1,800 and $2,700 a month only a short time ago.

Office rents reflect the same picture, *with prices in prime* areas falling by as much as 50 per cent.

According to municipality estimates, there is enough office *accommodation to* soak up the next two years' demand, without one more block coming on stream. (There are ten due for *occupation shortly.*)

The local office of Cluttons the UK estate agency, foresees a further 20 to 30 per cent adjustment downwards this year.

If shares and land look doubtful avenues for investment, what then are the prospects for industry?

Until now, most of Kuwait's industry is based either on the local market or directed at export in the region. However, with a recession in the Gulf, demand is down.

The only industry that is going to succeed at this time is one which is well-managed, operating *costs well trimmed* and lean, with local tastes researched and the final product marketed well. Very few *of* Kuwait's existing industry meet those criteria at present, say officials of the country's Industrial Bank.

Good management can make all the difference, argues IBK. Gulf Paper, for example, which was taken over on a friendly basis by the bank following the bankruptcy of some of its shareholders, has been able to *triple its output within two* months.

Kuwait Sanitary Wares, another Manakh victim, has gone into liquidation and IBK is starting from scratch. Nevertheless, they believe that with changes in design of the product and a tightening up in costs, the plant can reopen on a viable basis.

"*We are creating something* real out of them," said an IBK official.

Government budget

(KD million)

Revenues	Closing 1982/83	Draft 1983/84	Effective 1984/85 (9 months)	% of year budget
Oil	2,230	2,788	2,119	79
Non-oil	372	249	285	80
Total	2,602	3,037	2,404	79
Expenditure				
Current	2,397	2,564	1,651	65
Development	543	662	302	46
Land approp.	300	150	93	62
Total	3,240	3,376	2,046-	61-
Investment income	1,657	NA	NA	NA-

Source: National Bank of Kuwait

Kuwait Sanitary Wares was one of the publicly listed companies which in the past had made its profits out of share dealings rather than manufacturing.

Kuwait Tyres is another such company. Significantly, the company is to be liquidated, having never manufactured a tyre since its inception in the late 1970s. It is to re-emerge as a holding company for a part share in a tyre plant to be established in Saudi Arabia.

Incentives to industry in the Kingdom are more generous than in Kuwait, with industrial loans granted at 2 per cent instead of 5 per cent per annum.

IBK *officials say that* talks are going on with other GCC states to eliminate this competition between them but until a uniform *policy* appears industry *is* likely to drift towards the country which offers the most.

Given such unappealing prospects in the three sectors it is hardly surprising that the pressure is building up on the Government to do something to reativate the economy. Attention is likely to focus on an *increase in development expenditure in the new budget.*

Until now, the Government has passed the responsibility to the private sector and requested it to form a study group to come up with proposals for the cabinet on ways to inject life into the economy.

Uncertainty

A committee of 24 prominent merchent and investment experts has been selected and *they are due to make their report* in February.

But until confidence returns any injection of funds by the government into the economy will probably end up outside the country. Bankers point out that the gradual erosion of the Kuwait dinar against the dollar has made such transfers even more attractive, for the foreign exchange risk has ben cut to a minimum, barring a sudden reversal in the fortunes of the dollar. The uncertainty over the future regulations from the Central Bank has also been another factor.

Meanwhile, bank credit is barely rising, money supply (narrow definition) is actually *falling* while the net foreign *assets* of the banks and their balances with foreign banks is increasing. Even the number of bank clearings is declining, reflecting the cutback in the public's level of spending.

Additional funds are being *shifted into fixed deposits*, as consumers put money aside, hedging their bets on the future. Quasi money has increased from KD 3.2bn to KD 3.5bn in the first 11 months of 1984.

Imports in the previous year fell by 9 per cent illustrating the decline of the re-export market, particularly to Iraq.

The business sector, too, has been hedging its bets. There was a 27 per cent decline in the floor area approved for construction, bank credit to in*dustry fell by 17.7 per cent*, and there was a drop in the price of building materials because of slack demand.

The Government has been prodded into agreeing a set of measures recommended by the local chamber of commerce. The chamber urged the imposition of a minimum protection tariff of 30 per cent for *new industries*, the creation of an import-export bank, and the establishment of free zones. All these have been agreed in principle, but nothing *has actually* happened yet.

The Government has agreed, however, to place all construction contracts with local companies, speeded up the housing programme, and increased its development expenditure. Total allocations for the 1984-85 period amount to KD 3.6bn against a previous figure of *KD 3.4bn, an increase of* 6 per cent.

Development spending is projected to go up by a 22.6 per cent to reach *KD 812m* compared with KD 622m.

It is likely that the Government will be pressurised into further reflationary measures in the forthcoming budget. However, such pressure from the business community occurs at a time when the Government is attempting to rationalise its expenditures to bring them more into line with the declines in revenue.

The budget already contains a *theoretical* deficit of KD 704m because the state has consistently refused to take into account its investment revenues.

In practice, even without the investment income, the deficit in the previous budget of KD 673m translated into an actual surplus of around KD 100m because of underspending, say Government officials.

Oil prices

The oil revenue in *the* current budget was projected to show a growth of 4.5 per cent to total KD 2.9bn as against KD 2.7bn in 1983-84. However, since then, Kuwait has had its quota cut by Opec from 1.05m b/d to 0.9m b/d, and it also *faces a softening price.*

Investment income has also suffered from other factors, *notably the withdrawals which* have been necessary to pay for the attempted solutions to the Manakh crisis. Over $7.3bn has had to be *liquidated* to fund the stock market purchases, the small investors fund and the loans given to KFTCIC to help out the medium-sized dealers, including a member of the ruling family.

On top of this, investment income has been buffeted by the general decline on returns in the international market.

Not surprisingly, *the revenue* from general reserves the year ending June 1984 showed a 20 per cent decline from KD 1.6bn to KD 1.2bn. Overall, the country's foreign assets grew by 4 per cent to reach about $76bn, largely because the Fund for Future Generations cannot by law be touched.

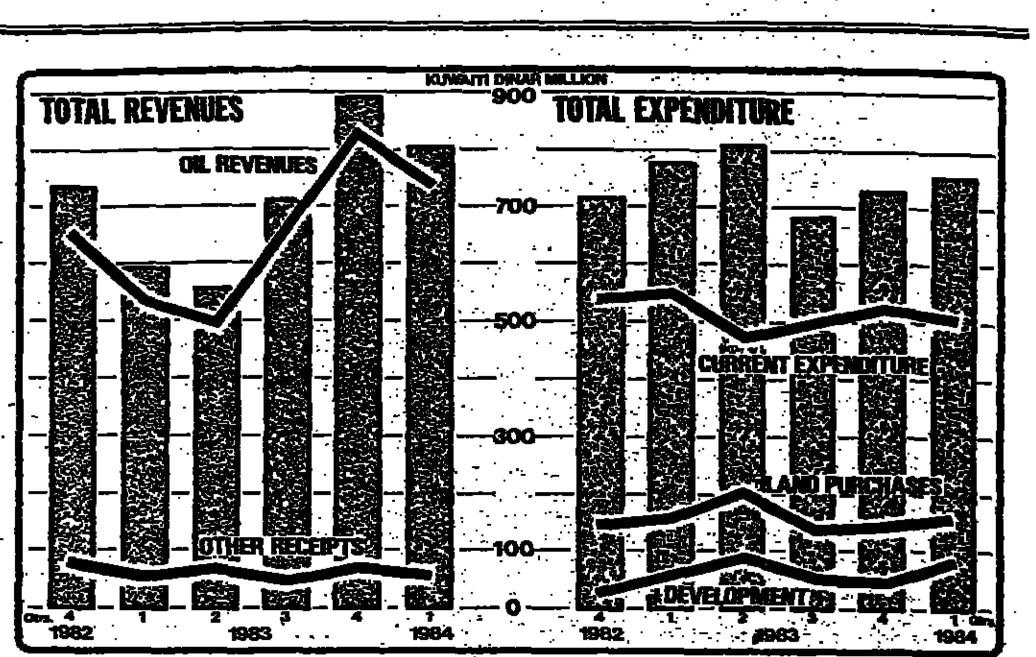
Kuwait's ivestment portfolio ranges over 45 countries, but no information is ever disclosed on amounts accounted for by local and regional investments and how much is high yield stocks and deposits overseas. The $76bn worth of assets also includes Kuwait's share in regional organisations and the various loans extended to the *frontline* Arab states and to Iraq, most of which are regarded as assistance to brotherly Arab nations.

Income from reserves nevertheless represents a comfortable cushion for the future. Because of this cushion, *the Government* may find it more difficult to introduce the rationalisation measures it is seeking.

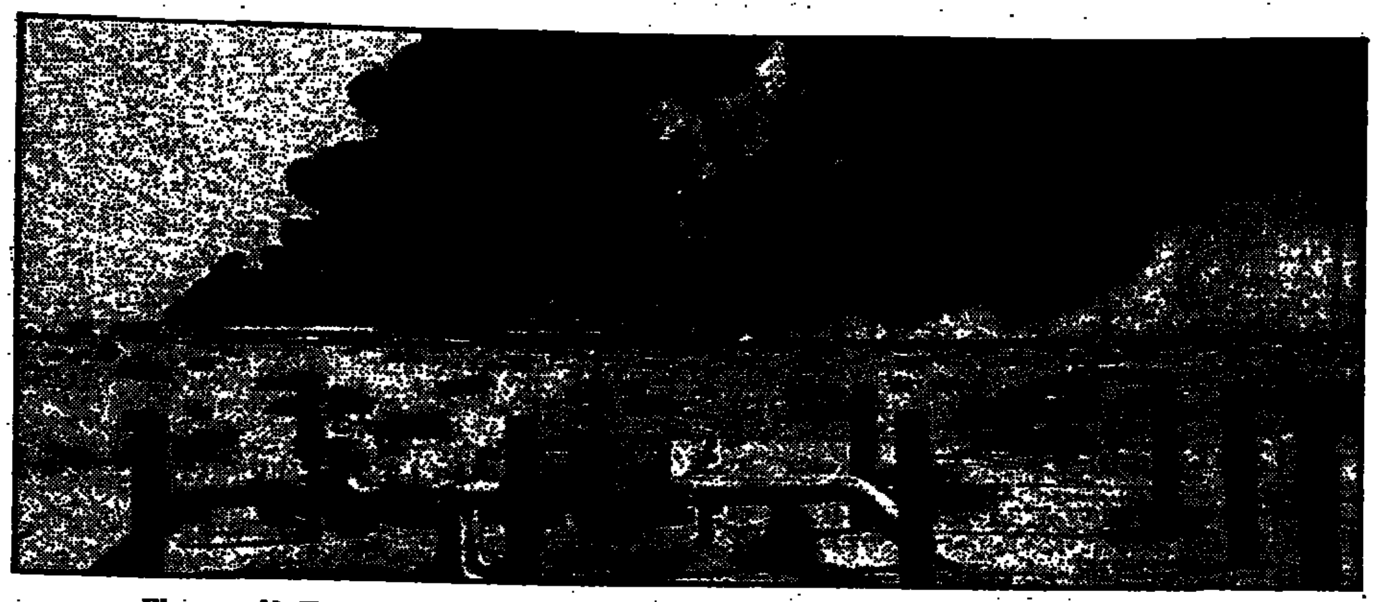
In the past few months, the Government has floated a number of suggestions to cut state spending.

All such suggestions have been met with outrage by the business community and the National Assembly. After all, it is difficult for the Government to talk of taxation when the people are still suffering from the recession and stock market crash. Most such schemes appear therefore to have been shelved and are *unlikely* to emerge in the new budget.

The future financial and development policies of the Government are at the moment difficult to determine. They will have to await the selection of a new Cabinet which will follow the February 20 elections to the National Assembly.



The country has been obliged to cut its oil production over the past year in line with quotas allotted by Opec. The 'tanker war' has also affected the market



Fire engulfs Kuwaiti gas installations near the Iraqi border. Two of Kuwait's own tankers have also been hit by Iranian aircraft

Market slide continues

The oil industry

KATHY EVANS

FOLLOWING the conclusion of an Opec agreement this month, the differentials between light and heavy oils has been eroded. Kuwait's own crude price has bounced from $27.40 a barrel before Christmas to $27.55 at the start of the new year and back to its old level by February 1.

Kuwait's Burgan crude has thus maintained its traditional 10 cent difference against the price of Saudi Arabia's medium-heavy oil. But a number of buyers have warned that the heavy crudes must maintain their cheapness, particularly over the month's ahead when demand for oil traditionally slows at the onset of Spring.

The successful conclusion of an agreement between 13-member states of Opec has largely been the result of efforts by Kuwait's oil and finance minister, Shaikh Ali Khalifa Al Sabah. However, in two week's time, following the general election, the cabinet is due to be reshuffled.

Most opinions in Kuwait believe that, if Shaikh Ali is forced to choose between the two portfolios, then he will opt to remain oil minister and the chairman of Kuwait Petroleum Corporation.

Over the last year, Kuwait has been obliged to cut its production in line with the quotas alloted by Opec. Production is now standing at around 900,000 b/d, compared with its previous quota of 1.05m b/d.

Excluded from this figure is the production of the Arabian Oil Company in the offshore neutral zone which is shared with Saudi Arabia.

Kuwait's share of the field amounts to around 120-150,000 b/d, which is sold on Iraq's behalf as Kuwait's assistance to the war effort against Iran. It is not known yet whether this war relief crude will continue to be sold for Baghdad when Iraq completes the two pipelines it is planning which will boost Iraqi production by one million barrels daily.

Diminishing

Kuwait's importance as a producer of crude is already diminishing with more than half of its oil now being exported in the form of refined products.

By the end of next year, its refining capacity will go up even further to 640,000 b/d. In addition, KPC subsidiaries are among Kuwait's largest crude oil customers, absorbing on the average about 100-120,000 b/d which goes to the European refineries.

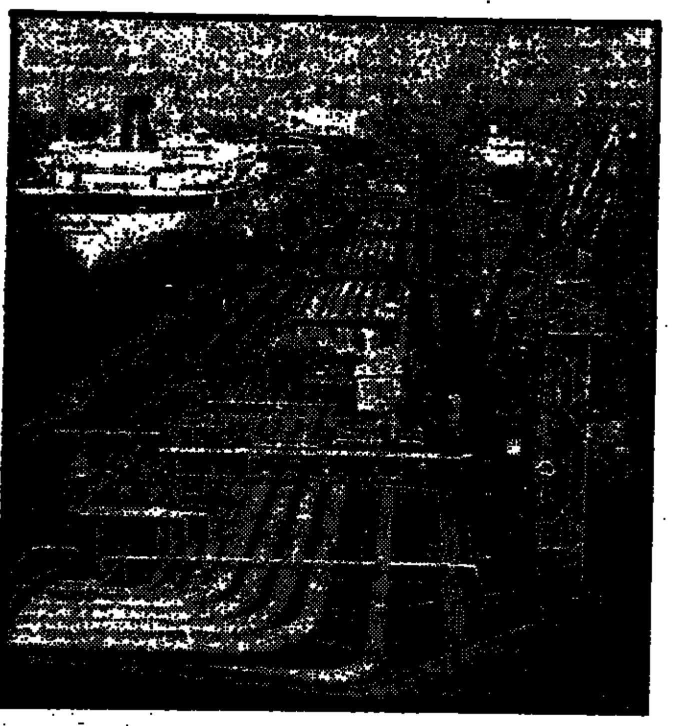
The figures for July and November of last year highlight just how important the refined products exports are becoming.

Out of a total export output of 879,000 b/d in July, some 391,000 b/d went out in crude form and 488,000 b/d was exported as products. In November, the figures were 317,000 b/d of crude exports, and 530,000 b/d went as refined products.

Deliveries to local power stations were 31,000 b/d and 22,000 b/d respectively over the two periods.

One of Kuwait's major crude oil customers is Chinese Petroleum Corporation of Taiwan, which is currently buying 75,000 b/d in a direct deal with KPC, down from 95,000 b/d the previous year. The contract is due to be renewed at the end of the first quarter of this year, but in view of Taiwan's declining need for heavy crude, the contract volume is likely to be reduced. Taiwan has now commissioned its first nuclear power station and thus needs ness heavy fuel oil and is turning its attention to light crude producers in Brunei, Malaysia and Indonesia.

With the Japanese, the Kuwaitis have mixed relations. Idemitsu is its sole term-contract customer and is thought to be considering its 15,000 b/d contract.



Kuwait's oil revenues have more than halved since the 1979-80 financial year. Market analysts also predict that prices could soften further. Above: oil tankers loading at Mina Al-Ahmadi

Kuwait's foreign trade

(Figures in KD m)

Description	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1
Total exports	1,012	1,033	942	768	726	821	818	766
Oil exports	863	888	800	639	596	696	680	662
Other exports	149	145	142	129	130	125	138	104
Export of Kuwait Origin	41	33	34	35	32	26	—	—
Re-exports	108	112	108	94	98	99	—	—
Total imports	493	486	568	580	650	568	599	541
Balance of trade	519	547	374	188	76	253	219	225

Source: National Bank of Kuwait

Other Japanese trading houses are occasional buyers from Kuwait, picking up cargoes when necessary. Mitsui for example, does a swap deal with KPC, selling them Ninian crude for their Denmark refinery, and taking heavy crude for Japan. One million barrels of crude was involved in such deals for January alone.

Among Kuwait's other major customers for crude are Shell, Aspropyrgos Refining Company (Greece), the national oil companies of the Philippines and Korea, and the refinery in South Yemen.

Kuwait's market prespective is due for a change over the next 12 months for by 1986 the state will also be able to offer a choice of crudes when its new Magwa crude comes on stream.

The new Magwa crude has a quality of 38 deg API compared with the present crude mix of 31 deg API. Some 50,000 b/d is due to become available next year of the Magwa crude and within the next four years the field will be capable of producing some 20,000 b/d. As Sheikh Al Jaber, managing director of marketing for KPC, says: "It will give Kuwait greater manouvrability in the market."

In the last year, the "tanker war" has also affected Kuwait's market situation. Two of Kuwait's own tankers have been hit by Iranian planes. During tension in the Gulf last summer buyers backed-off liftings from Kuwait's oil loading terminal at Mina Ahmadi and KPC was obliged to initiate shuttle services to Khor Fakkan off the UAE coast to carry-out ship-to-ship transfers. A premium was applied to these Khor Fakkan liftings, say buyers, which at times reached "unacceptable" levels of between 20 and 40 cents a barrel. Many customers believe that the high premium was, in fact, designed as an "enticement" to them to return to Kuwait, thereby illustrating to the shipping world Kuwait's security.

The premium angered a number of Kuwait's buyers, who complain that KPC is too quick to apply surcharges.

"They should give us assistance during such times to show their sincerity," one commented, adding that the insurance rates finally proved cheaper than the premium.

KPC officials say they merely wanted to provide their customers with the option of lifting at Khor Fakkan and that the premium charged was equivalent to the costs of running the shuttle service.

"It is equivalent to their savings of not coming into the northern Gulf," says Hani Hussein, a senior marketing official for the corporation.

Security is stil of concern to Kuwait's oil buyers. In recent weeks some of the Iraqi strikes have come alarmingly close to the channels designated by the Kuwait Oil Tanker Company (KOTC) as its secure shipping lanes.

KOTC is still handling the bulk of the country's LPG exports, and a substantial portion of the country's refined products exports are being transshipped into customers' tankers off the UAE coast. The oil majors, in particular, are said to be still reluctant to come into the Gulf.

Fleet plans

The Kuwait Oil Tanker Company is presently planning an increase in its fleet and tenders are being circulated around the world's shipyards for a further six product carriers.

Three of the ships will be 120,000 dwt and three will be 35,000 dwt. Bids are expected to be received later this month. KOTC officials say that the decision to build their own vessels is a reflection of the current low costs of shipbuilding.

"The ships we want are not available on the market, and we can save a few dollars by ordering them now. Over a 17-year period, this works out at peanuts," comments Capt Tim Stafford, head of operations for KOTC. The six product carriers will supplement the company's total tonnage of 2.3m dwt.

With tension in the Gulf easing, KOTC felt confident enough by July to decide to run its fleet without any insurance. KOTC officials were angered by the high war risk rates levied at the time by Lloyds, and decided that repairing casualties was cheaper than insuring the entire fleet.

The decision to build further product carriers was a reflection, say KOTC officials, of the KD 1.4bn expansion programme underway to expand the domestic refineries. This expansion programme will increase Kuwait's refined products capacity from a present level of 480,000 b/d to 640,000 b/d by the end of 1986.

This large outlay on refineries will necessitate a further call-up of capital in the next few months by the Kuwait Petroleum Corporation. KPC's current authorised capital is KD 2.5bn, of which KD 1.6bn has been paid in.

Profits fall

The company's net profit in the 1983-84 fiscal period was KD 280m, compared with KD 307m in the previous year. The decline in net profit was due to "reclassification" of some of the income, says Abdul Hadi Awad, KPC's financial manager.

Total revenues were KD 4.53bn compared with KD 3.7bn in the 1982-83 period.

Total assets went up by KD 900m to reach KD 4.9bn. European refining activities broke "more or less even," says Awad, with Italy, Sweden and Luxembourg providing the most profitable areas. Sante Fe operations generated about $1.8bn in revenues, he says, though their profits were lower than the previous year.

KPC's overseas exploration arm, KUFPEC showed a deficit of KD 2.99m compared with a previous handsome surplus. However, this is the result of increased expenditure by KUFPEC in exploration and the expenses incurred in its role as an operator in Tunisia and Bahrain. Total expenditures for the 12-month period ending December 1983 were KD 13.15m compared with KD 13.46m for the previous 21 months before the end of 1982.

Until now, KUFPEC had been making most of its money from interest income which in 1983 amounted to KD 9m. However, a concession in the South China Sea held in thename of Sante Fe with Arco es an operator, has struck gas in commercial quantities.

The find is said to have reserves of 3 to 4 trillion cubic feet, which although small by Gulf standards, could, nevertheless, play a role in alleviating Kuwait's own gas shortage problem.

So far, some KD 6.42m has been spent on the China venture on both pre and post-acquisition costs.

Last year was comparatively quiet for KPC in terms of foreign acquisitions, for the only confirmed purchase was for a small Houston-based exploration company, Enstar. KPC did try for Chevron in the U.S., but was out-bid by Sohio.

The corporation's general overall strategy concerning future acquisitions focuses on securing more marketing outlets so that the additional refined products which will be coming shortly from its own domestic refineries will find a market.

KPC officials say they are still interested in the British market, though talks with Gulf and Amoco appear to have dragged on with little result. The principal obstacle to the deal would seem to be the Milford Haven refinery which KPC officials say is too large.

The U.S. still remains an area of interest but slow progress is being seen in the legal case to secure exploration rights on federal lands. The original decision of the Interior Department has been questioned by a court and the matter returned to them, though this has yet to lead to a decision by the U.S. Government reversing the original ban.

KPC officials say they are basically prepared to look at anything in the principal world markets "providing it is not too expensive—more than $1bn or something," remarked one senior executive.

Offshore exploration for gas supplies has been hampered by security considerations

New moves to offset shortages

The gas industry

KATHY EVANS

ONE of the most frequent laments from Kuwait's oil and finance minister, Sheikh Ali Khalifa al Sabah, is that every time a hydrocarbons find is made it is oil rather than gas.

With the current decline in world demand for oil, Kuwait is suffering a shortage of associated gas. To have sufficient gas for its power stations, the country should produce about 1.2m b/d of oil. Its current Opec quota is 900,000 b/d.

So far, exploration onshore has yielded only crude oil, and the search offshore has been hampered by security considerations and the proximity to the war zones and Iranian waters.

The latest crude oil find in the south of the country, the Magwa Field, inevitably will produce more associated gas, and there is thought to be a higher gas/oil ratio than in Kuwait's existing medium-quality oils.

Just how much gas can be expected from the field has not yet been disclosed although preliminary output figures indicate an eventual crude production rate of 200,000 b/d. The field is due to be commissioned at the beginning of next year, starting at 50,000 b/d with annual addition of the same amount until the 200,000 b/d is reached.

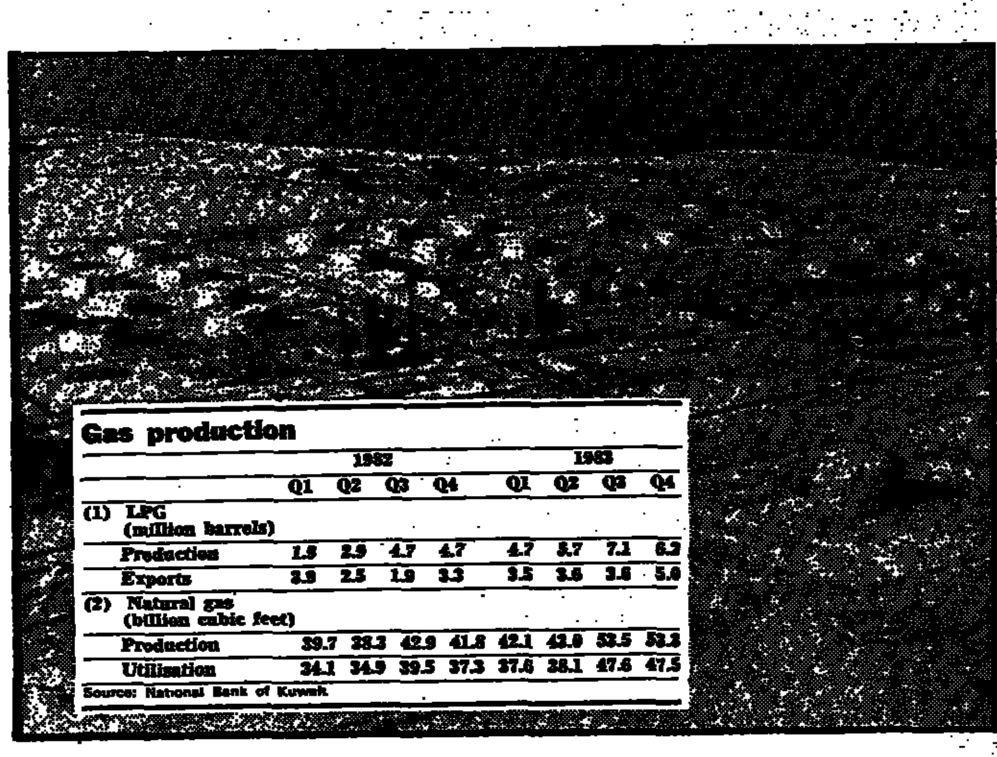
High cost

This shortage of gas is costing Kuwait dear. The LPG plant is running at less than a third of its capacity, output at its petrochemical plants are well down, and the power stations have to make use of heavy fuel oil and crude to offset the lack of gas. Those products could be exported.

Not surprisingly, Kuwait has made overtures to overseas gas suppliers, but given the present insecurity in the Gulf, plans to import LNG have been put on the backburner for the time being.

Perhaps the most telling symptom of this present gas shortage can be seen at the Shuaiba LNG plant. Designed for a national crude oil output of 3.6m b/d, the plant consists of thre trains using 560m cu ft of gas daily and 40,000 b/d of gas liquids. At present only one train is being utilised at the rate of 75 per cent of its capacity.

Another train has been mothballed since September 1982, and the third remains on standby for faults and maintenance in the operating train. Adel Sharhan, chief co-ordinator at the plant, says ruefully: "The plant has never really worked at full capacity. We did run all the trains for a few months, but only for test purposes."



Gas production

	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1	1983 Q2	1983 Q3	1983 Q4
(1) LPG (million barrels)								
Production	1.5	2.9	4.7	4.7	4.7	5.7	7.1	6.2
Exports	3.9	2.5	1.9	3.3	3.5	3.6	3.6	5.0
(2) Natural gas (billion cubic feet)								
Production	39.7	38.3	42.9	41.8	42.1	43.0	53.5	53.3
Utilisation	34.1	34.9	39.5	37.3	37.6	38.1	47.6	47.5

Source: National Bank of Kuwait

Current throughput of gas into the plant is only 400m cu ft a day with 30,000 b/d of liquid feedstock. This gas is received at only nominal cost. If, however, production goes down further to, say, a level of 60,000 b/d, then LPG production could look economically questionable.

Current exports are running at about 45,000 b/d of propane, 30,000 b/d of butane and 25,000 b/d of natural gasoline. Exports were carried mainly in KOTC LPG tankers as Kuwait's foreign customers are still reluctant to bring their own carriers into the northern Gulf.

However, the LPG plant is directly connected into the network of Kuwait's petrochemical plants and the power stations. Here the impact of the gas shortage has caused Petrochemical Industries Company (PIC) to record a further $28.8m loss in th period ending June 1984, compared with the previous year's figure of a $9.3m loss.

Abdul Baqer al Noori, chairman of PIC, says that last year the ammonia plant was receiving only about 40m cu ft of gas daily, though of late this figure had improved to around 55m cu ft daily. Total design capacity would call for 142m cu ft a day with the fourth ammonia line in operation.

The fourth line, which came on stream last year at a cost of about $30m, was conceived nearly five years ago when oil market prospects looked very different.

Future prospects, al Noori concedes, do not look any brighter, but he point out that the shortage of gas at the plant forced the company to make more efficient use of the gas they were receiving. However, PIC's chairman is even talking of a prolonged period of maintenance during the summer period when gas requirements at the local power stations are at their peak for air conditioning.

Decisions

Other KPC officials say that the decision temporarily to close the ammonia plants would largely depend on existing contracts with customers and the world ammonia market. Any decision would only be taken after very careful consideration by the board as a whole.

The other main client for the lean gas from the LPG plant is the Ministry of Electricity and Water. The shortage of gas at the power stations is being made up by the use of about 20,000 b/d of crude oil and heavy fuel oil. These alternatives may be less environmentally desirable, but as one KPC official put it: "The public would rather have power and pollution than no power and less pollution."

The company is presently installing a treatment plant which will de-sulphurise the heavy fuel oil, thereby reducing the pollution.

Local market sales in the 1982-83 period went up by 33 per cent largely because of demand from the Ministry of Electricity. Its gasoil consumption went up to 12.3m barrels per annum as the shortage of gas became evident.

It was this consumption of petroleum products which encouraged KPC to look at possible alternatives. One option was to import LNG which could be directly piped into the power stations. A special carrier, the Gaz al Rawdatain was acquired and vaporisers installed so that the LNG could be treated on board ship before reaching the shore. Shore installations have already been completed.

Although the machinery is in place, the plan has not gone ahead for several reasons. Talks were opened with several potential suppliers. Algeria, Indonesia and Abu Dhabi, but attention focused on the latter. Having such a nearby supplier would have allowed additional imports, for shipment times would have been much shorter than the alternatives.

However, any talks on LNG imports from Abu Dhabi also require negotiations with Japanese interests. The Japanese area not only a shareholder in the Daz Island plant there, but the Tokyo Electric Power Company its sole customer. The Tokyo company has also invested substantial sums itself into the Abu Dhabi connection through the investment in gas carriers to bring the gas to Japan.

Discussions were still going on as late as January during the visit to Tokyo of Kuwait's oil minister, but the Japanese did express concern over safety and security aspects. They point out that ship-to-shore transfers of LNG have never been done in the Gulf, and such an operation has to be handled extremely carefully because of the danger of explosion.

Strategy

More importantly, any plan to bring LNG into the northern Gulf has to be considered in the from Iran. The strategy to boost gas supplies through the import of LNG has therefore been temporarily shelved until security conditions improve.

There were also reports of disagremeents between Abu Dhabi and Kuwait on the price to be paid for the gas. All of Kuwait's gas customers at the moment receive their feedstock at only nominal cost. Any increase in the price of the feedstock, even close to market levels, could radically alter the economics of the petrochemical plants and force up electricity production costs.

The other hope for increased supplies of gas lies with the Southern gas fields project, a plan to harness the associated gas in the offshore neutral zone to the south. Kuwait has gone ahead with the project although in the past few months work has concentrated largely on the onshore facilities for receiving the gas.

Work on the offshore section has been held back by difficulties over permission from Saudi Arabia, say KPC officials. The stoppage of work is thought to be a reflection of a disagreement between Saudi Arabia and Kuwait over sharing the gas which will become available.

Sources say that Kuwait has offered to pay for gas which, under the sharing agreement, would go to the Kingdom. However, the Saudis have apparently made it clear that they would like to use some of the gas to boost their supplies on the east coast.

Talks are continuing between the two countries but until agreement is reached on who is to get the gas, and for how much, the southern gas field project would seem to be indefinitely delayed.

BUSINESS PROFILE

Conglomerate with diversity of interests

CAR SALES in Kuwait fell an average of 27 per cent in 1984. Other consumer goods are moving more slowly than they used to and customers are putting-off paying their bills. For contractors, the market is increasingly more competative as the volume of available work dwindles.

Despite all of this, the profits of the Al Mulla group of companies have been going up over the past three years. Partly, this is because the management has made a virtue out of necessity and improved cost-efficiency, aided by a profit-linked incentive scheme which gives each department-head a vested interest in pushing sales and keeping both staff and customers happy.

But the sheer diversity of the group's operations has been a major factor in its ability to "buck the trend."

Although car sales are down (much less so than the market average, according to an Al Mulla director), the rental and leasing division has shown tremendous growth over the past three years, with 1984 being particularly successful.

Among the newer divisions which have forged ahead rapidly are office equipment and cleaning maintenance. The latter has the cleaning contract for the three 20-storey towers of Kuwait's Joint Banking Centre, and (in association with Pritchard Services Group of the UK) for the Basra Teaching Hospital in Iraq and Baghdad's Sadam Hussein International Airport.

The project engineering and electrical installation divisions have compesated for the effects of a depressed market by more than doubling their market share. The current order book includes KD 1.5m worth of work at the Kuwait Institute for Scientific Research (KISR), and contracts at the Shuaiba North Power Station, a district electricity distribution control centre, Commercial Bank of Kuwait head office, Hawall schools and the Arab Research Centre.

The domestic appliances and food sales divisions have also performed better in profit terms, if not in turnover. According to Aranasalam Nerenthiran, the group's director for management accounting, this is due to stringent cost control, improved marketing techniques and—in the case of foodstuffs—a change in product lines to cater to cosmopolitan tastes and to the growing demand for tinned foods, chocolates and confectionery.

Working under the franchise of A and W Great Food restaurants, Mr Donut and Swensen's ice-creem ("in the rich tradition of old San Francisco"), Al Mulla has increased the number of its fast-food outlets from two to five, and is planning to export American-style eating to the rest of the Gulf, through sub-agents.

But despite their encouraging results, all these divisions are subsidiary of the automotive business, which is still the biggest contributor to Al Mulla group profits.

"Most outstanding overseas dealership" awards have been received from both Chrysler and Mitsubishi, in recognition not only of a good sales record but of substantial investment in back-up services.

Vast area

A central warehouse with computerised stock control supplies four different service centres, including the Al Rai Garage which is claimed to be one of the biggest privately-owned, air-conditioned service facilities of its type in the world. It has a floor area of 10,000 sq metres with 112 repair bays and space for 200 cars, Lit by mercury fluorescent lights and cooled to a comfortable working temperature.

This is in a region where rickety tin roofs over an oil-soaked backyard are often the norm.

Unlike most exclusive agents, Al Mulla will repair any make of car, not just the ones they sell, and the quantity of spares they buy from other manufacturers' appointed agents means they win preferential prices. The garage complex offers free tests on customers' cars, to diagnose problems and to estimate the cost of repairs. The policy seems to have paid off in the form of plenty of repeat business.

Like most of Kuwait's big trading conglomerates, Al Mulla grew from a small shop in the Suq, selling domestic appliances and electrical goods. It was founded in 1938 when Abdulla Al Mulla Saleh (who was, at that time, Secretary of State for Kuwait) formed a partnership with Saleh Jamal, under the name of Saleh Jamal and Company. Their first agency was for GEC (UK).

Nine years later, Abdulla's elder son, Bader, formed an associated company (Bader Al Mulla and Brothers) to go into the auto business, and by the time of Bader's death in 1969 the group had diversified into travel services, marine equipment and project engineering. Under his younger brother, Najeeb, the present chairman, the Al Mulla group has developed a dozen more activities with a total turnover of around $150m a year and workforce of 3,000.

A unique feature of the Al Mulla group today is that it is run by a multi-national directors' committee on which the family members—Najeeb and his three brothers—can be easily outvoted by eight non-family directors, one of whom joined the company in 1952, eight years before the chairman.

MARY FRINGS

Al Mulla Group – its scope of operations

- **Electrical products (begun in 1938):** Agencies for GEC, Pirelli, Woods of Colchester and others.
- **Automotive (1947):** Sales of Mitsubishi, Chrysler, Plymouth and Dodge cars; commercial vehicles and trucks; custom-built vehicles (e.g. police vans, ambulances, armoured personnel carriers); used cars; parts and accessories; exclusive agency in Kuwait for Gulf Oil lubricants and greases service garage.
- **Domestic appliances (1947):** Many U.S. and European agencies for household appliances kitchen utilities; Japanese hi-fi equipment; service facilities.
- **Travel (1948):** IATA agent for passengers and cargo services; general sales agent for MEA, KLM, Garuda (Indonesian airlines).
- **Marine (1957):** Powerboats (Glastron, Hammond, Chriscraft and others); Mercury outboards and Mercruiser stern drives; skis and other watersports equipment; service facilities.
- **Project Engineering (1959):** Design, supply, installation, operation and maintenance in the fields of air-conditioning, heating and ventilation, mechanical and electrical services.
- **Advertising (1975):** (in association with Grant and Kenyon-Eckhardt)
- **Heavy Equipment (1976):** Agencies for Mitsubishi and NYK forklifts, Kato Cranes; Fleet sales and equipment bulk purchase orders supply contracts and tenders.
- **Environmental Systems (1978):** Refuse collection, street cleaning, waste disopsal, (in association with Browning Ferris Inc. of Houston).
- **Car Rental and Leasing (1978):** 1,400 self-drive and chauffered cars, (also agency for inter-rent group); call taxi service.
- **Fire Protection (1978):** Fire prevention, detection and alarm systems.
- **Office Equipment (1980):** Agencies for Minolta Copiers, Oki Fax machines, BSI electric typewriters, etc.
- **Engineering Products (1980):** Agencies for protective coatings, AC control systems, industrial inspection and test equipment.
- **Security Services (1980):** In association with Securicor.
- **Foods (1981):** Wholesale distribution fast-food restaurants.
- **Cleaning and Maintenance Services (1981):** In association with Pritchard Services Group, UK.
- **Computer Services (1982):** Agencies for NCR and International Brokerage and Leasing.

Tough strategies for harsher climate

KUWAIT BANKS have led a prosperous—some would say cosseted—existence for so long that the harsher winds blowing round their grand buildings in the city's financial district have come as something of a shock.

Not only are banks and investment companies bearing the brunt of the collapse of the Souk al Manakh; they are having to devise costly new strategies to cope with the country's altered circumstances. The result may well be a period of slimmer profits and a quest for new markets, particularly abroad.

The banking sector

DAVID LASCELLES

The eight major banks, led by the eminent National Bank of Kuwait, may report reduced profits and dividends for 1984, making it the worst year since modern Kuwait banking began in the 1950s.

The banking industry may also have to shrink a bit because of the decline of the inter-bank market and the shortage of local business, and there will certainly be none of the bonus share issues shareholders have come to expect.

In reality, the damage will not be as bad as it looks because Kuwait banks have piled up large hidden reserves (they normally disclose only a third of their true profits) thanks in no small part to the exclusion of foreign banks from the domestic market and the absence of taxation.

Losses sustained

Although banks were not supposed to finance Manakh speculation, the Kuwait practice of "name" lending means that all of them are exposed to Manakh victims. By some estimates up to 20 per cent of Kuwait banks' KD4.3bn of loans to the private sector are now doubtful either because of the losses sustained by the borrower, or weakened collateral (mostly stocks and real estate, both of which have fallen by nearly 50 per cent since 1983).

Quite how much of this will have to be written off is now under discussion with the Central Bank, which is taking a tough line under its new Governor, Abdul Wahad al-Tammar. Bankers say they have already made provision for the debts of the 250 or so people who have been officially "referred" as insolvent. But the largest debtors have been excluded because of their exalted status.

Banks have begun to take some people to court, though warily because of the legal and political constraints, and are resisting pressure to accept partial payments.

If, as now seems likely, debtors may only have to settle at 70 per cent, the banks' doubtful loans could amount to a substantial proportion of their entire published reserves of about KD 800m. But since their hidden reserves are probably nearly as great, particularly among the longer established banks, and actual losses may be smaller, no one expects any bank to suffer lasting damage.

The government would also bail out any troubled bank, even if it did not own stakes in all of them. However, the authorities seem to be taking the view that Kuwaiti banks have had it so good for so long that they should shed some fat to help clear up the Manakh mess.

The Central Bank, which bankers suspect is fronting for the Finance Ministry, is now taking a rigorous approach to bank supervision (an official from the office of the Comptroller of the Currency, the U.S. bank supervisory agency, was there for a while). At the end of last year it sent out long questionnaires seeking details of banks' bad loans, how they handled them and so on. It has also suggested that banks should disclose their true reserves.

All this has made the Central Bank rather unpopular, particularly since it has been intervening on the monetary front as well. By imposing limits on lending rates (to ease the debtors' plight) and inter-bank dealings, regulating the foreign exchange market and blowing hot and cold over the Kuwaiti dinar bond market, bankers accuse it of choking the financial system.

The KD bond market has virtually ground to a halt because of the lack of new paper, though the banks and investment houses are participating in issues in other currencies.

Inject liquidity

These problems have also affected Kuwait's three investment corporations, the Kuwait Investment Co, the Kuwait Foreign Trading Contracting and Investment Co, and the Kuwait International Investment Co. All three have been used by the government (which part owns them) as channels to inject liquidity into the Manakh settlement process. But since they were forced to advance funds against highly questionable collateral, they have been battered by falling share prices. Not surprisingly, they are bitter over the way they have been used.

The government is concerned about the strength of management in the main banks. Last year, Sheikh Ali Khalifa al Sabah, the Finance Minister, blamed their lack of sophistication, and urged them to try harder.

The question facing Kuwait's larger banks is where future business growth will come from: the international syndicated loan market, for example, has lost its appeal for the moment

The boards and senior executives of most banks are Kuwaiti. But while banks no longer have management contracts with foreign banks, there are still many Europeans and Americans in top positions and this seems to create some strains. Many major loan decisions are taken by bank boards (who can be influenced by family ties and local politics), sometimes against management's advice.

One senior European executive said he would be recommending no 1984 dividend, but expected to be turned down by the board. A Kuwaiti banker said: "We made a profit last year, so why shouldn't we distribute some of it to our shareholders?"

But bankers agree that the Kuwaiti banking industry needs to become smaller and better controlled.

The question facing the banks, though, is where future business growth will come from. The domestic loan market is flat, and unlikely to recover the explosive upsurge of the 1970s when the Kuwait economy was booming. The international syndicated loan market, where Kuwait banks were quite active, has also lost its appeal.

"We have got to get back to normal," said Mr Ziad Taky, the chief economist of the National Bank.

Over the last couple of years, the larger banks have been anticipating this by turning abroad. Several, including the National Bank, Gulf Bank and Commercial Bank have opened offices or branches in New York, London and the Far East to seek out new trade finance and lending opportunities. National Bank is also setting up investment management offices in Europe and now has 30-40 per cent of its assets abroad compared to only 5-8 per cent three years ago.

But this is too costly a step for smaller banks like Alahli bank which intends to manage its foreign business from home.

Domestically, the retail market still has scope for growth insofar as the Kuwaitis can be persuaded to drop their preference for cash and use money transmission services. Several banks, including National Bank, Gulf Bank and Commercial Bank have installed automated teller machines, and competition for local market share is hotting up.

The government would like to see Kuwait playing some kind of role as a financial centre for the Gulf. Those ambitions suffered a mighty setback with the Manakh crash, but Kuwait has got the largest financial community and the greatest financial resources of the small countries along the coast. Unlike Bahrain, though, it does not admit foreign banks and seems unlikely to in the near future so long as its own banks are under strain.

Blow to commercial confidence

IT MAY seem extraordinary that two and a half years after the dramatic collapse of the Souk al Manakh the effects of this financial catastrophe should still be echoing round Kuwait but it dominates everything.

In pure money terms, the Government is still trying to sort out the $92bn mountain of post-dated cheques on which the unofficial stock market was built and, with luck, could finish the job this year.

More insidiously, the Souk has left its mark by sapping the country's commercial confidence and permeating Kuwaiti society with a sense of injustice which could take much longer to dispel.

"Give it three to five years," advised one senior Kuwaiti banker.

Aftermath of the Souk al Manakh collapse

DAVID LASCELLES

The fact that almost every adult Kuwaiti, including a member of the Royal family, was involved made it a truly national disaster. Although only some 250 people have been "referred" as potentially insolvent, and 27 have actually been declared bankrupt, thousands of share speculators are still in deep financial trouble, unable to settle their debts until their creditors settle with them, and burdened with huge losses from plunging prices of shares they have been unable to sell.

The Government has tried to get the wheels of settlement turning with a pump-priming process of its own. Smaller investors have been paid off with Government bonds. Any Manakh victim who can prove that he has settled his debts and is owed money by one of the "referred" has received a book of coupons which entitle him to a share of their assets—which have been taken over by the Government and are being liquidated. Some of the coupons cover land, official shares and readily realisable financial assets. But some also cover Manakh shares whose value is highly questionable.

The Government and the banks have also advanced money to debtors through various funds or semi-state investment agencies. For a while, the Government propped up the official stock market to limit investors' losses. But it stopped doing that in April, since when shares prices have lost half their value.

In a curious decision, though, Manakh debtors are still allowed to offer shares at pre-April prices to settle their debts, presenting their creditors with the awkward decision of whether a certain pittance now is better than a promise of full cash payment heaven knows when.

Most opt for the former. This means that debtors can simply buy the shares at today's collapsed prices and use them to pay off debts of several times their value.

This is only one cause of the bitterness over the way the Manakh settlement has been handled. It is also becoming increasingly clear that the very large debtors who include a nephew of the Amir will only have to pay off 70 per cent of their obligations. This not only puts a strain on the rest, but mocks those conscientious (and evidently foolish) people who settled at 100 per cent early on. One broker describes the settlement process as "brutally unfair."

Although bankruptcy entails loss of civil rights (and knowingly trading as a bankrupt is a criminal offence), involvement in the Manakh has not necessarily tainted its victims with any special stigma and the Government is not keen to send people to prison. If anything, the opposite.

The Arabs admire dash, particularly the Kuwaitis whose enormous wealth has put the day-to-day grind of life behind them. And as one observer put it, "the Manakh put a bit of excitement into their lives."

Although the "referred" have had all their assets seized, the Government has been paying them a generous "dole." One of the biggest debtors is paying KD 1m a month in interest charges.

But while sorting out individual's problems, the authorities are also having to cushion the shock on companies and financial institutions who now seem destined to bear the brunt of the losses.

Although banks were not allowed to lend directly for share speculation, their customers are in deep trouble. Some banks have written off most if not all of the debts of the "referred," and have begun to take people to court. The banking sector as a whole is now under strong pressure to cut dividends and build up reserves. There is also a small foreign bank exposure to the Manakh.

The establishment of a new financial institution is being mooted to take over all Manakh debts from the banks and renegotiate the terms or recover them as best it can. This would remove some of the risk facing the banks, and relieve them of the tedious business of dealing with debtors. But the institution would be capitalised by the banks (and probably the Government) who would share in its fortunes.

Industrial concerns have also been landed with huge losses because Manakh speculation became their main business, or they were stuffed with worthless shares by their owners. The Ministry of Commerce is now allowing these companies to spread their Manakh-related losses over three years, provided they do not pay a dividend.

Officially, the Manakh crisis has so far cost the Government about KD 2.3bn in advances, less whatever it manages to recover as it unwinds the debt chain. But some observers estimate the cost at closer to KD 4bn, or more than a whole year's oil revenues. This figure alone underscores the true extent of the disaster.

PROFILE: KUWAIT FINANCE HOUSE

BY DAVID LASCELLES

Recent problems tarnish image

LIKE MANY Arab states, the growth of Islamic fundamentalism led to the establishment of an Islamic Bank in Kuwait: the Kuwait Finance House which came into being by special Amiri decree in 1977. But the KFH's recent problems, culminating in its decision not to pay either its shareholders or depositors in 1984 have rather dented its image.

True to the Islamic canon, the KFH does not pay interest or make loans in the Western sense. It treats deposits as investments which earn a dividend based on the bank's performance, and loans as profit-earning participations in the business of its clients. Its bustling headquarters on the fringe of the banking district has separate entrances for men and women, and many of the male staff sport the shaggy beards of fundamentalists (though one I interviewed had a science degree from Purdue University in the U.S. and used a Grid personal computer).

In its early years, KFH was phenomenally successful. Apart from tapping the religious market, it attracted sizeable personal savings with its large annual pay-outs to "depositors" which generally amounted to more than the interest paid by regular banks. Its profits rose by leaps and bounds every year up to 1982, when they peaked at KD 46m.

The inflow of funds continued in 1983: the balance sheet grew by another 40 per cent to KD 835m, (meaning that it had captured nearly half of the local savings market), but the slump in the domestic economy cut profits back to KD 37m as asset problems began to mount.

Last year, the KFH had to turn away new funds because of a shortage of good domestic investment opportunities. But by December its asset losses were such that it found itself forced into the painful decision to plough its entire KD 28.5m operating profit into reserves. The news caused consternation in Kuwait and posed a severe test of Islamic loyalty.

Amid unpleasant scenes, there was a sharp withdrawal of funds by the KFH's more commercially-minded customers, and Sheikh Ali Khalifa, the Finance Minister had to remind people who placed money with the KFH that they were "partners," not depositors.

There seems little doubt that the bank's business practices left it more vulnerable than the commercial banks because of the Islamic requirement that it invest directly in projects, rather than lend to them.

The major part of its assets were in two of the worst-hit sectors of the economy: trade and real estate. The KFH owns the two largest commercial property developments currently underway in downtown Kuwait: its own new 20-storey headquarters and the Al Muthana office complex.

But it also has hundreds of residential properties on its hands as a result of its well-intentioned but possibly over-zealous efforts to try and ease the domestic housing shortage.

More than half its KD 850m assets are in real estate (some people put the figure as high as three-quarters), and the write-downs forced on it by the collapse of the property market must pose a considerable strain on its equity of KD 35m.

KFH claims to be less exposed to the Souk al Manakh crisis than other banks because of its disapproval of share speculation on religious grounds. But there can be little doubt that many of its customers are in as dire straits through share losses as other banks'.

Quite how severe a setback this will be for KFH and the fortunes of Islamic banking is hard to say just now. But there is no question of the Kuwait Government allowing it to fail: apart from the ideological considerations, the Government is itself the major shareholder with two-thirds of the stock.

Time for a return to fundamentals

Stock Exchange

DAVID LASCELLES

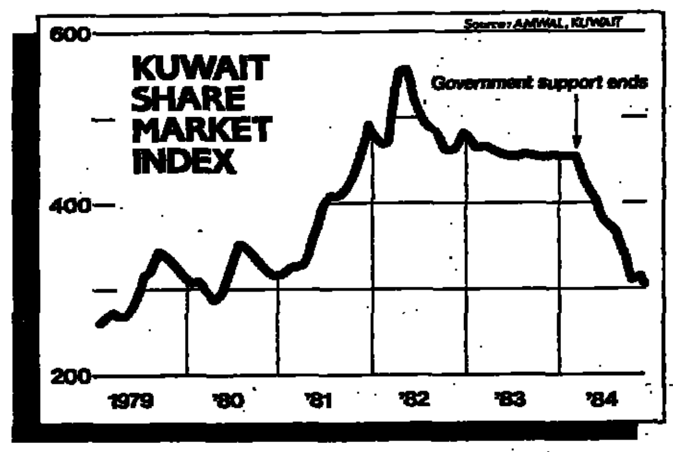
KUWAIT'S NEW Stock Exchange with its huge, polished granite trading floor, may be one of the most spectacular buildings in a town noted for eye-catching architecture. But its beginnings could hardly be less auspicious.

Starting life in the wake of the Souk al Manakh crisis, with investor confidence at rock bottom and trading volume barely a trickle, it may be appropriate that business is actually being done in the corner of an upstairs room until the main floor opens later this year.

But even when trading proper gets under way, the prospect of the exchange fulfilling the high ambitions that the Government had for it when planning started in the late 1970s, look distant, at least until the Kuwait commercial climate takes a sharp turn for the better.

For a time after the Manakh collapsed, the Government propped up the stock market by buying shares at support levels which gave the impression that prices were stable. If no trades took place for several days or weeks, prices were "unchanged" regardless of what was actually being bid or offered by dealers.

That support ended last April, by which time the Government had spent an estimated KD 800m and bought nearly half the market. Since then, prices have been in steady decline, but for a slight hump in October-November when there was talk of "buoying the market" to improve the appearance of investors year-end balance sheets.



At the same time, the Exchange went over to quoting closing prices on the basis of bid and offered rather than last trade, which starkly exposed the value dealers were actually putting on stock, rather than what someone might have been willing to pay a considerable time before.

Share values

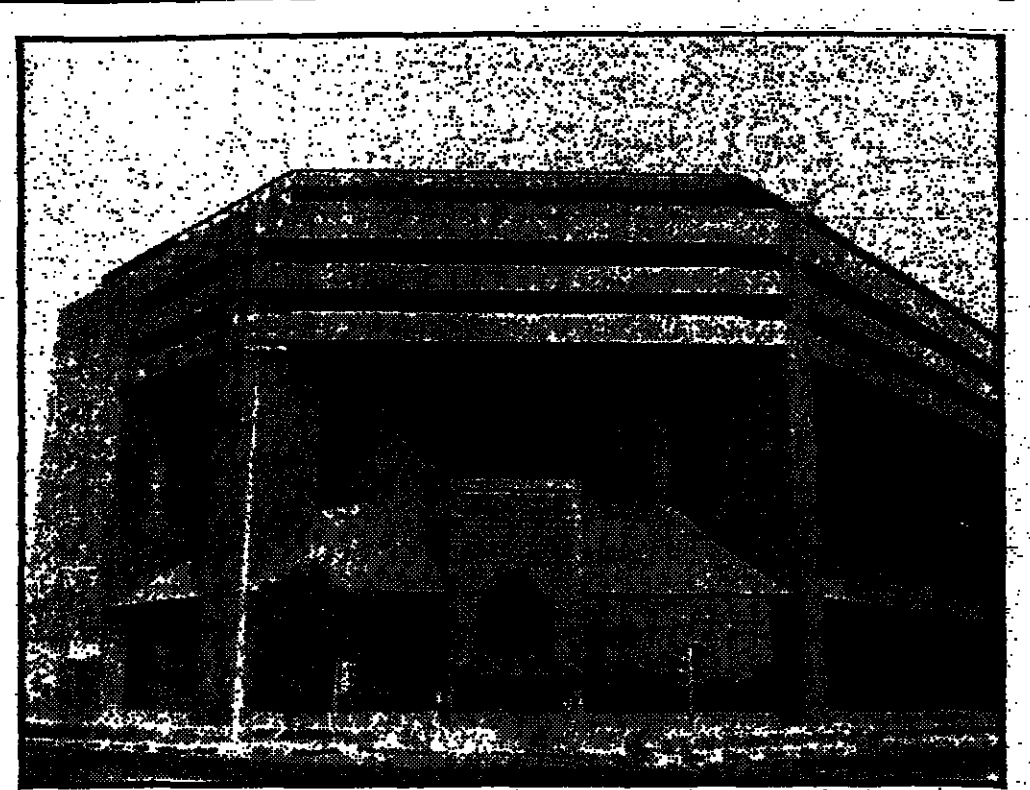
All told, these steps wiped half the value off the market in 1984, which raises the question of who trades at all in these conditions. Most deals appear to stem from people still trying to sort out their Manakh affairs. There is a special evening session when former Manakh or "Gulf" stocks are traded, in addition to the two daily sessions.

About 40 Kuwaiti companies are listed, plus 15-20 "Gulf" stocks. However, what little dealing there is is done mainly in the leading bank stocks, plus some of the larger investment, insurance and industrial companies.

There are two market-making firms who are supposed to provide liquidity. But they only operate sporadically, and is no guarantee that an investor will be able to sell or buy stock, which tends to concentrate dealing on the most liquid blue chip stocks. There is talk of the Government setting up a third, strongly capitalised market-maker to help dealing along.

Not surprisingly, the rules of the new stock exchange have been tightly drawn to prevent a Manakh-style roller coaster. All trades have to pass through brokers on the trading floor who are not supposed to know who their clients are. Bid and offered prices are chalked up on boards, and a broker has to declare his interest if he is on both sides of a deal.

There are also daily price movement limits, and shares must be traded in pre-determined lots. Investors may not buy on margin or sell short, and brokers must guarantee their payments.


Kuwait's impressive new stock exchange building: the main floor will open later this year but at the moment trading is at a low volume in the wake of the Souk al Manakh crisis

The brokers deal on fixed commissions. They complain these are too low to make a living, and many of them plainly dislike the spruce new quarters where they have to receive clients after the gossipy back rooms of the Manakh.

But this is all meaningless until the market comes alive, and no one is quite sure how that will happen. The Government is keen to see trading pick up both as a sign of, and an aid to economic recovery, but it can hardly go out and buy even more shares. (The prospect of it actually selling some of its holdings is even smaller). And at the end of last year, there is talk of getting big institutions together to buy and prime the pump, but nobody seriously thinks that would work.

The Kuwaitis' own investment psychology will probably have to change. After indulging in a giant casino, as one broker points out, they are going to have to start looking at boring things like fundamentals. And the fact that the National Bank of Kuwait is now selling at only half its net asset value may be a good place to start.

Still hesitant to break social codes

Women

KATHY EVANS

THE HOUR is five o'clock in the afternoon and the boutiques in Kuwait's up-market shopping centre, the Salhiya complex, are receiving a steady flow of customers into their shops. Kuwaiti girls browse leisurely through the $600 sweaters and finger the fur jackets, price tagged at $7,000 each. In the corner, a bored Kuwaiti male, wearing a pained expression which indicates that he is footing the bill, sits smoking a cigarette through a long holder. His womenfolk are doing what they like doing best—spending money and shopping for clothes.

To all appearances, Kuwaiti women appear to be the ultimate in femininity. Expensive, perfumed, always perfectly groomed, perfectly coiffed and always, but always, "dressed to kill."

There is not a sloppy jumper or jeans in sight—except on Western women. Even the most informal occasion in Kuwaiti society generates a display of designer fashions. They dress to the nines to go shopping, to tea parties, or even the office. Kuwaiti women are never to be seen in public with laddered stockings, or shoes that don't match their nail varnish, hair that needs washing or heels that need heeling. Servants and money help, for Kuwaiti women are among the world's richest. They can afford to be the darlings of the boutique owners.

Dr Rasha Sabah, a university dean says "this image of the stereotyped Kuwaiti woman is still true to a certain extent. But it is becoming less and less. An increasing number of our women are becoming professionals. Those women in the boutiques are symptoms of the oil boom, the Manakh. Now we are in different times. We have a recession and a war in the north."

Most liberated

Symptoms or "victims" of the Souk al Manakh and the oil boom they might be, but in the Gulf context, they represent the most liberated women in the region. Kuwaiti women work, drive cars and even secure high ranking positions in the Government. There are also four under-secretaries who are women in Government ministries, one of them in the oil ministry.

Bank executives praise their Kuwaiti women employees for their hard work and compare them favourably with their lazy male counterparts.

Most women in Kuwait have long ago discarded "Islamic cover," and even those who do, wear the "abaya" casually, almost as an afterthought. Such is their progress, that it was only natural that a Kuwaiti woman was elected recently to head the new Federation of Gulf Women, formed last year in Abu Dhabi.

Economics, perhaps more than anything else, may herald the decline of the glamorous cruisers of the shopping complexes. Kuwaiti men are already complaining that their women expect far too much after marriage, and that keeping up with the family next door can be a crippling exercise for those who do not enjoy the legendary riches of Kuwait.

"They expect dresses, holidays in Europe every few months, a villa with nice furniture, jewellery," bemoaned one young Kuwaiti. The subsequent result is that many first class Kuwaitis are marrying beneath their "social class," or even second class citizens, says Rasha Sabah.

Kuwait was the first Gulf country to establish women's societies, and the oldest, the social and cultural society for women, has been going for over 22 years. Until recently, these clubs functioned largely as a vehicle for social contacts, and an endless whirl of tea-parties and jumble sales held for such laudable causes as famine victims in Africa, and needy villages in Lebanon and Sudan.

Functioned as spur

Lately, the societies have turned their attention to consciousness raising, and two of them have functioned as the spur to the women's movement in Kuwait.

But even in this, Kuwaiti women are not united. There are two religious women's clubs which appear to act as a positive deterrent to women's independence. They promote the belief that a woman's life should evolve around the Koran, the kitchen and the children. That viewpoint is reinforced by the voice of one of the highest ladies in the land, Sheikha Latiefa, wife of the Crown Prince and Prime Minister.

Ironically, her conservative views contrast starkly with those of her husband, for Sheikh Saad has become one of the principal supporters of the cause of women's rights in Kuwait.

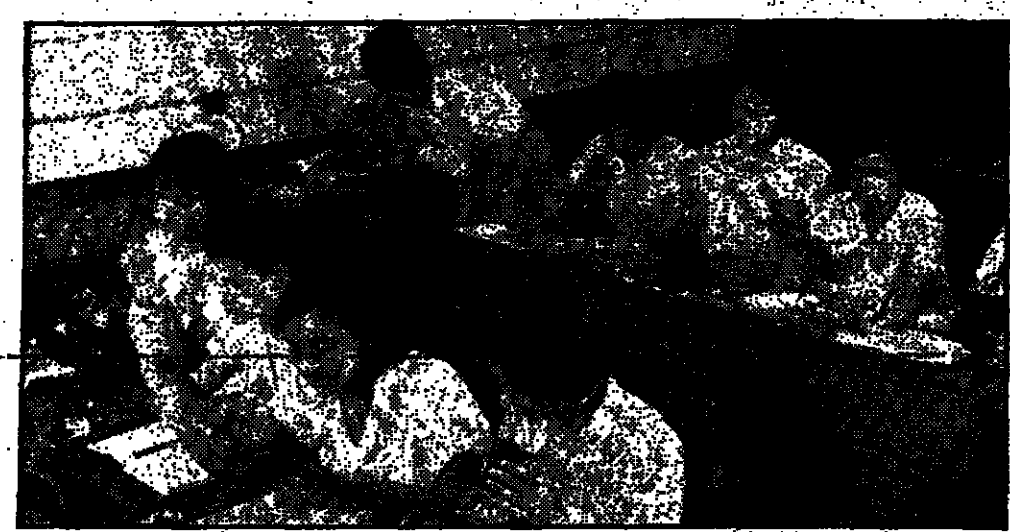
(The American equivalent of this bizarre situation would be to have President Reagan supporting the equal rights amendment, and Nancy Reagan actively fighting against it.)

Tradition is still the greatest inhibitor to the women's movement in Kuwait, for local women still hesitate to break the social codes and risk the family name, in the cause of women's rights. There will be no symbolic stormings of the male preserves therefore—such as the floor of the stock exchange, or the election tents.

"That would be against our tradition," said a leading member of the most active soicety. Neither will the money of Kuwaiti women come into play to promote their cause. Kuwaiti women still rely on their male relatives to advise them what to do with their funds. A team of financial advisors despatched recently by Chase Manhattan Bank to serve the investment needs of Kuwait's hidden millionairesses, left empty-handed and disappointed.

Given the incoherent nature of the women's movement in the country, it is difficult to see how successful they are going to be in their pursuit of the right to vote. The Kuwait constitution guarantees that there will be no discrimination among the sexes, race or creeds. On the elections, it says that all "muwataneen" of first class category have the right to vote. The word translates two ways—as male nationals in the plural, or simply as nationals. The electoral law, however, specifically bars women the vote.

Seeking to exploit the apparent contradiction in the constitution, over 80 women simultaneously marched to voters' registration offices last September and demanded the right to register as voters. Lulwa Kataami, president of the largest women's society, recalls that they were met with amazement, and offers of tea.


Senior students in the science laboratory of a girls' secondary school in Kuwait

"I refused the tea, and said I would only drink with them when I could successfully register as a voter, or as a candidate."

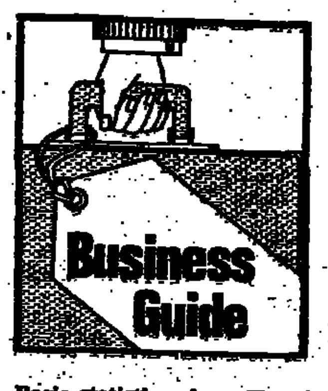
The society is now planning to call in all candidates deemed to be supporters of women's rights, and oblige them to sign documents that they will actively campaign for their right to vote.

The idea is to specifically identify those candidates in the eyes of the public and make the candidates stick to their pledges once they get into parliament. However, even the candidates known to be their greatest supporters appear to give greater priority to the granting of voting rights to second-class citizens, rather than their first-class sisters.

Questioned as to whether Kuwaiti women were really interested in voting, Lulwa Kataami replied emphatically that they were — at least, the majority is.

"Don't forget we have already come a long way. In my youth, a woman left her home twice in her life—once to go to her husband's house, and the second time to go to her grave."

Tips for overseas visitors



Basic statistics about Kuwait, plus advice and information for business visitors, include the following details:

Area: 17,818 sq km (including portion of neutral zone).

Population: 1.46m (1981: non-Kuwaitis make up approximately 58.6 per cent of total population).

GNP per capita: U.S.$22,800 (1980).

Capital: Kuwait City (population, 1980 estimate: 520,000 including Hawalli and Salmiya).

Climate: Summer: likely temperature range 40°C—50°C, humidity 80 per cent, dust storms occur. Winter: likely temperature range approximately 7°C—20°C (but down to 0°C recorded); most rainfall (around 100 mm annually) between Dec-March.

Time: GMT +3.

Official language: Arabic.

Commercial: Arabic, English.

Entry requirements: Passport: required by all (with isolated exceptions). Visa: required by all with exception of nationals of certain neighbouring states and certain other document holders. Prohibited entry: any Israeli passport or visa-holder. NB: extensive visa regulations/conditions are strictly enforced.

Health precautions: Mandatory: none.

Diplomatic missions abroad: Abu Dhabi, Algeria, Amman, Ankara, Athens, Baghdad, Beijing, Beirut, Belgrade, Bonn, Brasilia, Caracas, Dhaka, Damascus, Doha, Islamabad, Jeddah, Khartoum, London, Madrid, Manama, Mogadishu, Moscow, Muscat, Nairobi, New Delhi, Paris, Rabat, Rome, Sana'a, Ta'Xbiex (Malta), Tehran, Tokyo, Tripoli, Tunis, Washington.

National airline: Kuwait Airways.

Other airlines serving: Aeroflot, Air France, Air India, Air Lanka, Alia, Alitalia, Alyemda, Balkan, Biman, British Airways, CSA, Cyprus Airways, Egypt Air, Gulf Air, Iberia, JAL, KLM, Korean Airways, Libyan Arab Airlines, LOT, Lufthansa, Malev, MAS, MEA, Olympic Airways, PIA, Royal Air Maroc, Saudia, Sudan Airways, Swissair, Syrian Arab Airlines, Tarom, Thai Airways International, Tunis Air, Yemenia.

International airport: Kuwait International (Code: KWI) 16 km from city.

Facilities: duty-free shop, buffet, restaurant, bank, hotel reservations, post office, shops.

Main Ports
Shuaiba, Shuweikh, Ahmadi (oil export).

Overland access
Excellent roads from Saudi Arabian and Iraqi borders

Hotels
(Service charge is usual)
In Kuwait City
Ambassador
PO Box 2813 Safat (tel: 425288).
Bristol
PO Box 3531 Safat (tel: 439281; telex: 22061).
Carlton
PO Box 3492 Safat (tel: 423171/5; telex: 22064).
Carlton Tower
PO Box 26950 Safat (tel: 2452740/59).
Golden Beach
PO Box 3483 Safat (tel:439521/7; telex: 22231).
Hala House
PO Box 823 Safat (tel:2558193; telex:22989).
Holiday Inn
PO Box 18544 Farwaniah (tel: 742000/732100; telex:46460).
Hyatt Regency
PO Box 1139 Salmiyah (tel: 628000; telex 46082).
Kuwait Hilton
PO Box 5996 Safat (tel: 2530000/253300; telex 22039.
Kuwait Sheraton
PO Box 5902 Safat (tel:421005/422055; telex: 22016/22434).
Marriott
PO Box 24285 Safat (tel: 835344; telex: 23395).
Meridian
PO Box 26302 Safat (tel:244922; telex: 44458).
Messilah Beach
Salmiyah, PO Box 3522 (tel: 613466; telex: 22215).
New Cedars
PO Box 1793 Safat (tel:432938).
Phoenicia
PO Box 4666 Safat (tel:421051; telex: 22062).
Sahara
PO Box 20461 Safat (tel: 482694/424121; telex: 22102).
SAS Hotel
PO Box 26199 Safat (tel: 657000; telex: 44306).
Spring Continental
PO Box 2175 Safat (tel: 642620; telex: 23184).

Taxis
Both "private" and shared (orange-coloured; set routes) taxis available; maximum fare laid down within Kuwait City.

Car Hire
Insurance and locally approved/inspected international driving licence essential.
Avis: (tel:417500).
Europcar; Al Ghanim Rent-a-car, PO Box 81 Safat (tel: 423327/2443186; telex: 22800).
Sanbouk; Sharq (tel; 416964; telex; 22800).
Jazeera & Queraini Transport Co: Ahmadi (tel:980554).

Internal Travel
Road: good, surfaced road system.
Bus; nationwide

Communications

Telephone dialing code for Kuwait; prefix +965 (no area codes, follow by subscriber's six-digit number). IDD access code: 010. 1980 figures; approximately 192,000 telephones, with automatic service; approximately 240 public telephones; over 47,000 business lines. Telex available at good hotels; telegraph facilities at Ministry of Post and Telegraph main offices 24 hrs/day.

Useful Telephone Numbers

Ambulance	422121
Fire	105
Police	112
Booking Foreign Calls:	
Immediate	022
Postponed	021
Booked call inquiries	023
Direct dialing enquiries	101
	023
	444777

Note: a seventh digit (2) has been added to all numbers starting with 44, 45, 46, 51, 52, 53, 54 and 55.

Broadcasting
Radio: service in Arabic, Farsi, English, Urdu.
Television: two channels, colour.
1980 estimates: 1 million radios, 250,000 televisions.

Advertising
Press, commercial TV, cinema: available.
Commercial radio: none
Outdoor: controlled
Direct mail: limited
Restrictions: on alcohol, cigarette advertising.

Currency
Dinar (KD) = 1,000 fils.

Banks
Main centre: Kuwait City.
Head offices: Alahli Bank, Arab Trust Co, Bank of Kuwait & the Middle East, Burgan Bank, Central Bank of Kuwait, Commercial Bank of Kuwait, The Gulf Bank, Industrial Bank of Kuwait, Kuwait International Finance Co, Kuwait Real Estate Bank, National Bank of Kuwait.
Foreign/overseas branches: Bank of Bahrain & Kuwait.

Banking hours:
summer 0700-1200; winter 0800-1300 (exceptions; Fri closed; some banks also open in afternoon).

Government and business hours
Government: Winter: 0730—1300 (Sat.—Wed.), 0730—1130 (Thurs.); Summer: 0700—1300 (Sat.—Wed.); Ramadan: 0830/0900—1230/1300 (Sat.—Thurs.).
Commercial: 0700/0830—1230/1330, 1530/1630—1830/1900 (exceptions: Thurs. 0700/0800—1130/1200; hours vary summer and winter, by company and during Ramadan).

Tariff restrictions
Import rules are extensive, including:

Restrictions: certain industrial machinery; arms and ammunition, radioactive material controlled by licence.

Prohibitions: any trade contact with Israel or South Africa; importation of alcohol, wheat, foodstuffs with cyclamate, secondhand vehicles, certain construction piping.

Kuwait Planning Board, Kuwait City.

Useful business addresses; In Kuwait City, Kuwait Chamber of Commerce and Industry, P.O. Box 775 Safat. Kuwait National Industries Company, P.O. Box 417 Safat, Petrochemical Industries Board Company, P.O. Box 1084 Safat, Shuaiba Area Authority, P.O. Box 4690 Safat.

Embassies in capital: Afghanistan, Algeria, Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Bulgaria, Canada, China PR, Costa Rica, Czechoslovakia, Denmark, Egypt, France, German DR, German FR, Greece, Hungary, India, Indonesia, Iran, Italy, Japan, Jordan, Rep of Korea, Lebanon, Libya, Malaysia, Muritania, Morocco, Netherlands, Norway, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Saudi Arabia, Senegal, Somalia, Spain, Sudan, Sweden, Switzerland, Syria, Tunisia, Turkey, USSR, UAE, UK, USA, Venezuela, Yemen AR, Yemen PDR, Yugoslavia.

International headquarters: Arab Fund for Economic and Social Development, PO Box 21923, Safat, Kuwait City. Organisation of Arab Petroleum Exporting Countries (OAPEC), PO Box 20501, Safat, Kuwait City.

Membership of international organisations: GATT, ILO, IMF, OAPEC, OPEC, UN, WHO, Arab Common Market, Arab Fund for Economic and Social Development, Arab League, Islamic Conference, Islamic Development Bank, Gulf Co-operation Council, World Bank.

Visitors will find a wide range of Arabian, European and American periodicals available in Kuwaiti shops and hotels

Discourtesies
To be avoided: eating, drinking or smoking in front of Muslims in daylight hours during Ramadan; using term "Mohammedan."

To be approached with care: photography.

Employment: Total workforce (1981); 450,000 (69.8 per cent non-Kuwaiti).

Main industries

Oil: contribution of oil revenue to GDP put at 70 per cent (1980). First exploration/study 1914; some earlier export but major exploitation began over 70bn barrels—life of fields 1946; reserves generally put at 100-150 years. Output, early/mid-1982, around 0.7-0.8m b/d from 1.1m b/d 1981, 1.6m b/d 1980. Kuwait Petroleum Company took over complete control, through four subsidiaries, of entire industry — has since become involved in joint ventures in other parts of world. Main fields; Burgan, Magwa.

Refining: three refineries (Shuaiba—capacity 200,000 b/d, Mina al Ahmadi—300,000 b/d, Mina Abdulla—150,000 bd); have capacity of around 650,000 b/d with expansion to 700,000-750,000 b/d planned by 1984 and increase in percentage of output refined to half of crude output—however following drop in output refined percentage, early-1983, put at over 65 per cent. Shuaiba refinery first "all-hydrogen" complex in world.

Gas; over 80 per cent of available associated gas utilised 1980 from 70 per cent 1979—processed at Mina al Ahmadi (design capacity 4.4m tonnes/year LPG; around 80 per cent exported—to Japan).

Downstream/Industrial activity includes: fertilisers (major world producer of chemical fertilisers—present capacity 1.75m tonnes; much of output exported to S.E. Asia); salt, chlorine. Also smaller-scale sectors including: chemicals (eg caustic soda, chlorine gas), food processing etc., textiles, furniture, paper, mineral and metallic products, cement, sulphur processing, construction materials, detergents.
Also smaller-scale sectors including chemicals (a.g. caustic soda, chlorine gas), food processing etc., textiles, furniture, products, cement, sulphur processing, construction materials, detergents.

Agriculture :Contribution to GDP (1980) 0.23 per cent. Approximately 1,800 hectares cultivated (0.1' per cent of total). Very little agriculture is naturally suited to the country and intensive effort is needed to counter problems like scarce (and brackish) irigation water, soil deficiences, climatic conditions, pests (e.g. red spider). Besides irrigation, hydroponic cultivation is being used. Percentages of local demand met by 1980: vegetables (approaching 50 per cent), milk (40 per cent), poultry (34 per cent), eggs (18 per cent).
Crops grown include: melons (3,500-4,500 tonnes/year); tomatoes (even 10,000 tonnes/year has been recorded); onions, dates.

Livestock: sheep (over 140,000); cattle (8-10,000). (Note: some lower figures have appeared but do not seem compatible with available data on production — e.g. number of hides and skins). Some beekeeping is undertaken (e.g. Dept of Agriculture experimental honey farm 50 hives).

Fishing: shrimps and prawns are major part of catch (which supplies virtually all local consumption).

Imports. Main sectors: machinery and transport equipment (typically 36-40 per cent of total value), manufactured goods (15-20 pe rcent), food, live animals and beverages, chemicals (11-13 per cent), textiles and clothing.

Main sources: Japan (typically 18-20 per cent of total value), USA (12-14 per cent), UK (8-10 per cent), German FR (8-10 per cent) Italy , Rep of Korea, France, Taiwan , Australia.

Exports. Main sector: oil (crude, typically around 75 per cent of total value; petroleum products, around 15 per cent). Also: machinery, entrepot trade.

Main destinations: Japan (typically around 25 per cent or total value); UK (8-9 per cent); Netherlands (7-9 per cent); Italy (6-9 cent).

Nature of political system
Executive power rests with the Emir, who appoints a Prime Minister and then other Ministers on his recommendations. The legislature is the 50-member National Assembly.

Voting qualifications: Members of the National Assembly are elected by literate Kuwaiti male adults (over 21).

Historic notes
The name Kuwait is said to come from 'Kut' meaning fort Present dynasty founded by Sheikh Sabah al Owel (ruled 1756—72AD); foreign affairs and defence agreement with UK 1899; complete independence 19 June 1961; Neutral Zone (owned/administered jointly Saudi Arabia since 1922) partitioned 1966—oil and gas etc., still to be shared jointly.

National tourist agency
National body supervising tuurism is:
Tourism Department
Ministry of Information
PO Box 193 Safat, Kuwait

Tourism: Within Kuwait City the visitor cannot miss the Kuwait Towers, the striking trio of spires containing two reservoirs, restaurant, and a cafeteria. Also of interest: the Seif Palace; Kuwait Museum (houses the recently opened Al Sabah Collection of Islamic Art, one of the most comprehensive in the world). Football, horse racing and iceskating (two rinks, one Olympic-sized) are among possible pastimes.

● *Business guide information extracted in part from the Middle East Review, published by World of Information, 21 Gold Street, Saffron Walden, Essex CB10 1EJ (tel. 0799 21150; telex 817197).*

Work permit distribution

Description	1982	1983 Third quarter	1983 Fourth quarter	1984 First quarter
1—New entrants				
A—Distribution by nationality	68,779	19,254	15,993	7,752
Arab nationality	29,460	6,664	4,513	1,427
Egyptians	21,504	6,254	4,170	1,232
Asian nationality	36,664	11,977	10,940	6,050
Indians	12,233	3,100	2,486	1,274
Pakistanis	6,430	2,464	1,390	424
Bangladeshis	5,053	2,398	1,582	635
Koreans	3,355	551	441	720
European and American nationality	2,675	613	539	275
B—Distribution by sector				
Agriculture	2,345	728	792	214
Oil	217	92	111	1
Manufacturing	5,746	2,260	902	369
Construction	33,944	10,624	9,381	5,721
Trade	13,894	2,433	2,566	935
Transport	4,378	1,400	865	184
Financial services	1,788	516	171	69
Other services	6,497	1,201	1,203	259
2—Renewal of work permits	75,914	22,563	27,940	39,499
3—Transfers within private sector	10,897	3,680	2,936	4,910
4—Cancellations	20,952	4,084	5,362	6,882

Source: National Bank of Kuwait

With so much to defend, Kuwait has fewer than 80,000 men of military age.

Worries for defence planners

KUWAIT HAS a great deal to defend and very few people with which to do it. The country is sitting on oil reserves which, *at current rates of extraction, will take* a couple of centuries to exhaust. It has financial reserves estimated at some $75bn. And it has built an immensely costly infrastructure to provide Western-style comfort in a hostile physical *environment.*

The armed forces

ROGER MATTHEWS

But Kuwait is also situated in one of the more politically unstable areas of the world and has suffered a bloody war on its doorstep for the past four years.

Apart from the waters of the Gulf and extensive stretches of desert, Kuwait has no natural barriers behind which it can take protection. It has to import a substantial part of its food requirements and is reliant on desalination plants for much of its drinking water.

But perhaps most important of all, from a defence view, it probably has fewer than 80,000 men of military age out of a total population in Kuwait of 1.6m. Its total armed forces are put at about 12,500 out of which there is a nucleus of professional men and a majority undergoing 18 months obligatory national service.

Their role is not only to provide an army, navy and air force, but also to provide support for the national police in a country where nearly 60 per cent of the population are expatriates. The six bombs which exploded in Kuwait on one morning in December 1983 underlined the threat of internal subversion and the recent hijacking of a Kuwaiti airliner to Tehran emphasised that the threat remains.

For so long as the militant *clerical regime rules* in Iran, the Kuwaiti outhorities accept that they are a potential target. Kuwait has given financial support to Iraq worth at least $8bn and its ports have provided a major supply link since Iraq's ports were closed at the outset of the fighting in September 1980.

During the first year of the fighting Kuwati border posts were twice bombed and this was followed by an air attack on a gas-gathering station.

The steady rundown in the capacity of the Iranian Air Force has reduced the threat *of any further attacks* but with the tanker war continuing Kuwait has been striving to improve further its low-level air defences.

When the United States refused last year to supply Kuwait with "Stinger" hand-held missiles the ruling family turned instead to the Soviet Union. In a deal worth a reported $325m Kuwait has now taken delivery of an unknown number of Strella-2 Soviet missiles, *the Moscow equivalent of* the "Stinger."

According to Mrigadier Abdui Aziz Al-Ghannam, the commander of *air defences*, Kuwaiti crews are being trained in Egypt on both the Strella-2s and on improved version of the Sam-7, purchased at the same time.

A further Kuwaiti team had been *sent* to the Soviet Union for training on the Sam-8 low level missile and according to the brigadier this would complete the air defence umbrella. Kuwait already has the American improved Hawk missile for high level defence and claims to receive early warning radar information from U.S. Awacs aircraft flying out of Saudi Arabia.

Kuwait's missile defences are supported by 19 French Mirage F-1 fighter aircraft now being *supplemented by a further* order of 13. The size of the population makes it difficult to find and train polits of sufficient calibre to fly high performance fixed wing aircraft and the problem becomes more acute with helicopters of which Kuwait has nearly 40.

The backbone of the army is provided by 160 British-suplied Chieftain battle tanks, supported by light tanks, armoured cars, armoured personell carriers and radar and wire-guided anti-tank missiles. Their deployment indicates a primary role of protecting Kuwait from an incursion to the north and east, either from an Iranian advance in the region of Basra or from Iraq *seeking* to press home an unresolved border dispute.

Technically, Kuwait looks tolerably well-equipped to fight *a defensive war which hopefully* would give its government time to mobilise international opinion and seek the assistance of *friendly* forces. However, given the size of Kuwait's probable adversaries, no-one suggests that the military could be expected to fight anything more than a delaying action.

Personnel

How successfully it could do that rests ultimately on the quality of its front-line personnel and on its logistical preparedness. A military career has so *far appeared* to offer few attractions to better-educated Kuwaitis who have the alternative of much better paid employment and considerably more leisure.

Private soldiers tend to be recruited mainly from among the Bedouin tribes who inevitably take longer to adapt both to military discipline and to modern technology. They also have less clearly defined ideas *of international* boundaries and it is not unknown for a trained Kuwaiti soldier later to be found among the ranks of the Saudi Arabian armed forces.

Another characteristic found by American and British training teams in Kuwait is a national reluctance to become involved in manual and maintenance work, or to take orders from men considered to be *socialy "inferior." Thus, virtu*ally all the logistical work is undertaken by expatriates: Palestinian clerks, Pakistani and Indian mechanics, Baluchi drivers and no-one but Egyptians behind the wheels of tank transporters.

In peace time the system *appears to work after a fashion*, but in a combat situation it would be certain to come under heavy stress. Although expatriates are not required to take any part in actual fighting, some of them would, nonetheless, have to be prepared to move into a war zone if the army was *to operate at all effectively*.

Their reaction to this possibility is unlikely to match the high level of commitment desired by senior officers and must remain one of the major question marks against the operational effectiveness of the Kuwaiti armed forces.

It is already a problem if the Kuwaitis wish to hold manoeuvres either locally or together with forces from the Gulf Co-operation Council. The *levels of pay* within the armed forces and the high cost of living in Kuwait combine to make it difficult for some expatriate *recruits to do more than exist* on their military earnings. As a result, many of them take second jobs in the evening and are consequently extremely reluctant to travel away from their base area.

For Kuwaiti officers wishing to have a military career, (of whom *there are too few*), the best training schemes are available, particularly in the U.S. and Britain. However, unlike the Hashemites in Jordan, the Al-Sabahs do not have a great military tradition and there is far less identification between the ruling family and the higher echelons of the army.

Some Kuwaitis who are close to the royal family say that this potential deficiency has been recognised by the Emir and efforts are underway to remedy it.

Meanwhile, there is a tendency for family members to be promoted beyond the limits of their capabilities or interests, presenting problems both in professional efficiency and in the command structure. If, for example, early warning radar picked up an incoming flight of hostile aircraft there would be all too little time for a top level decision to be taken on the appropriate response.

Impressed

However, some military observers say they were impressed by the speed of army deployment at the time of the December, 1983, bombings and believe this argurs well for any future threats todomestic security.

Foreign advisers are now telling Kuwaiti commanders that their task for the next few years should be primarily to absorb the equipment which they have purchased rather than to look for new and more sophisticated weapons systems.

"So far as weapons are concerned, they are at absolute saturation point," commented a regular military visitor to Kuwait. "They simply do not need any more equipment although no-one will convince the weapons salesmen of that.

"The bulk of their effort should be ploughed into training and to learning how to get the best results out of what they already have. And that is good advice, not just for Kuwait, but for every Third World army."

A nightmare scenario

Foreign policy

ROGER MATTHEWS

IF, back in the early part of 1977, Kuwait's Foreign Minister had been asked to speculate on which events would for him constitute a foreign policy nightmare, he might possibly have come up with the following scenario: a separate peace between Egypt and Israel, leading to a major split in Arab *ranks. Two Israeli invasions of* Lebanon, the latter leading to the military defeat of the Palestine Liberation Organisation. The overthrow of the Shah of Iran and his replacement by a militant religious regime dedicated to the export of its revolutionary fervour. A four-year war between Iran and Iraq.

The nightmare might also have included a tanker war in the Gulf which threatened Kuwait's own oil supply routes. A United States government which viewed the Gulf primarily *as a region in which to confront* perceived Soviet expansionism. And a wave of threats and counter-threats over the freedom of navigation through the Strait of Hormuz.

Such a *chapter of disaster* would have been unthinkable eight years ago. Even less credible would have been an assertion that Kuwait could escape substantially unscathed with its independence intact and *its population*, national and expatriate, at relative ease with each other.

Sensitive

As a minority within its own borders and as host to other substantial Palestinian and Shia *minorities, the Kuwaiti people* are inevitably sensitive to international developments. It is long been accepted in Kuwait that its international role is best expressed through an association of nations and through the international breadth of its contacts. Thus, it has always *sought to play a conciliating* role within the Arab League and to act as a bridge both between individual members and in their relations with the two super powers.

Of all the Gulf monarchies, Kuwait is the only one to maintain diplomatic relations with the Soviet Union and other Eastern bloc countries. The Soviet ambassador, with his fluent colloquial Arabic, is one of the better known diplomats *in Kuwait* and is accepted to have the edge, at least in terms of personal contact, over some *of his Western counterparts.*

He undoubtedly has played a part in persuading Kuwait to avail itself of Soviet weapons and to allow Soviet training teams into the country. The refusal by the U.S. to supply hand-held surface-to-air missiles created an opportunity last year which Moscow was very swift to capitalise upon.

Kuwaiti diplomats describe relations with the Soviet Union as extremely cordial and they have been pleased by Moscow's recent strong support for Iraq's war effort. The increased supply of Rusian weapons to Iraq during the last 18 months has significantly helped to ensure that Baghdad can withstand any further Iranian *ground attacks. It is also* recognised in Kuwait that the Soviet Union has consistently supported the Palestine Liberation Organisation and those Arab states in direct confrontation with Israel.

"Whatever our view of the Soviet system, we cannot deny *that in the Middle East it has* generally been supportive of the Arab cause in direct contrast to the attitude to the U.S.," commented a Kuwaiti diplomat.

Despite the Soviet invasion of Afghanistan, Kuwait has continued to urge Saudi Arabia, Oman, the United Arab *Emirates, Bahrain and Qatar* (fellow members of the Gulf Co-operation Council) to open diplomatic relations with Moscow. Kuwaiti officials argue that it would be much better for those countries to put their point of view directly to the Soviet Union rather than to run *the risk of the U.S. purporting* to speak for them.

They also stress the dangers inherent in appearing to concede the right of Washington to decide what are the West's vital interests in the Gulf, particularly when the U.S. also refuses to supply weapons to the Gulf states which are considered vital to their defence.

However, there is also little doubt that in the event of a threatened attack on Kuwait by any of the larger regional powers it is to the U.S. that the Government would look for immediate military support.

Despite all the publicity that has been given to joint defence planning of the GCC states and their creation of a strike force to come to the aid of a threatened member, few actually are convinced of its potential effectiveness. Rather, it is intended to underline GCC arguments that the Gulf will be a safer place if both superpowers stay well over the horizon. And, of course, they can now point to the fact that a Saudi Arabian aircraft did shoot down an Iranian plane last year.

Kuwait's refusal to give way *to the demands of the hijackers* who seized one of their aircraft last December is also cited as evidence of the government's capacity to stand firm against Iranian-inspired blackmail.

The limited diplomatic success of the GCC has helped to offset the collapse of the Arab League as a forum through which Kuwait could press its views. Although Kuwait has consistently ignored the terms *of the Arab boycott of Egypt*, it nonetheless will not follow the example of Jordan and unilaterally re-establish diplomatic relations. King Hussein appears to have made little headway in Kuwait last month when he pressed the case for an early meeting of the Arab League in order to readmit the Cairo Government.

Influence

Kuwaiti officials believe that it would be counter productive to attempt to isolate countries such as Syria, which are adamantly opposed to the return of Egypt, and which also have considerable influence over the Palestine Liberation Organisation.

"All a summit meeting would *do is emphasise* the disarray in the Arab world. It would do nothing to resolve the problems," said a Kuwaiti official.

It is also accepted in Kuwait that for the foreseeable future there is very little the oil-producing states can do to heal Arab divisions or provide much more than financial and moral support for the Palestinians. The oil weapons, unsheathed in 1973, has little potency today with most of the Arab producers already drawing on their foreign currency reserves in order to cover budget deficits. Kuwait maintains an impressive record as an aid donor to the Arab and Islamic worlds, but while this can help sustain individual regimes it has little impact *on more fundamental* problems.

Kuwait can undoubtedly take credit for the calm that it has shown during the last seven years. While it has experienced moments of extreme unease there has been little evidence of flight of capital or people. Some businessmen argue that even if the Gulf war should flare up again and inter-Arab differences worsen, Kuwait can feel confident of its capacity to withstand periods of intense uncertainty.